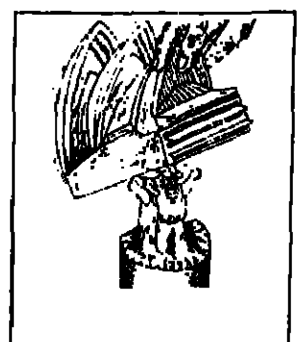
Dog trainer offers tips on strike control

by Spiro Zavos



THE AUSTRALIANS

ONE of the few pleasures from listening to the radio in Sydney comes at 8.35 each week day morning on the hard-rock station 2JJ. At that time a certain Mr Fred Dagg pontificates for five minutes about anything and everything.

A couple of days ago this disreputable agricultural person began his musings with a quote from the Federal Minister of Industrial Relations, Mr Street, to the effect that "people who won't work, won't get paid."

Street was referring to a strike in the Redfern Exchange of Australia Post. This was an interesting remark, Dagg commented, because it was a direct steal from a book on dog training published by an Edith Simpson in 1947.

Simpson said that a dog that won't work, won't get fed. But it was the same sort of inference as Street's.

The lady went on to say that if the dog proved to be recalcitrant and was female, it should be spayed. If it was a male then . . . the modest Fred Dagg didn't elaborate.

He then went on to point out that having adopted one of Simpson's remedies, Street might well consider her other suggestions.

Given the impotence of the Federal Government in stopping strikes, Street may as well threaten Simpson's cutting suggestions. Everything else has failed.

Over the last month or so there has been a rash of strikes. They have occurred against a backdrop of real improvement in the economy.

Perhaps this is the reason for the strikes, the unions are seeing companies producing record profits and want to share in the goodies.

The other day, the workers in the paint-manufacturing industry went back to work after being out for two months. This strike had repercussions in the car industry, where several thousand workers were laid off.

There have been running strikes at Australia Post and this has disrupted services to such an extent that many businesses are going to the private enterprise operations to ensure mail delivery.

The irony here is that the Federal Government has divested itself of an authority over Australia Post, and has charted it into a commission with the instructions to make the operation profitable by private enterprise methods.

Finally, there has been a truckie strike.

The truckie strike is the one that has grabbed the public's attention. The truckies only nominally belong to a union. For practical purposes they are private enterprise operators who took the unusual action of withdrawing their labour.

They went further than that, of course, and laid seige, by blocking the main roads, to all the capitals in the Commonwealth.

The strike started with just six drivers pulling their trucks on to the side of the road at Razorback Hill, out of Sydney. They broadcast the fact that they intended to stay there until they got what they considered justice for their profession over their CB radios.

Within hours there were some hundred trucks at Razorback and then the revolt caught fire and truckies set up blockades all over the nation.

Their demands were for an abolition of the road tax, an increase in the allowable tonnage to be carried, better freight rates and a moratorium on repayments for their giant trucks.

The fact of the matter was that it was the truckies themselves who had got into the situation where they felt they had to blockade the cities to get action on their demands.

Simply, there are too many truckies chasing too little work. Thus the big freighters have been able to exploit the situation by giving work to the lowest bidders.

But this consideration did not deter the truckies from standing over the nation and its politicians. There were urgent meetings, the NSW Labour Government, notably sympathetic to militant unionists, passed draconian urgent legislation which was so stiff they were afraid to put it into operation; and the Federal Government threatened to bring in the army.

Those who believe that Malcolm Fraser is not a brilliant politician should reconsider this after Fraser's handling of his side of the dispute.

He criticised Wran's harsh legislation and said that the premier should have talked to the truckies before shaking his fist at them.

Then when the dispute lingered on and threatened the Easter holiday traffic, he made it clear the army [illegible] be called in if asked for.

He phrased this [illegible] very clearly by saying [illegible] engineers and so on [illegible] worked for the [illegible] monwealth, would be [illegible] resisted mentioning that [illegible] would be army personnel [illegible] insisted that the States [illegible] the duty to preserve law [illegible] order — which they do.

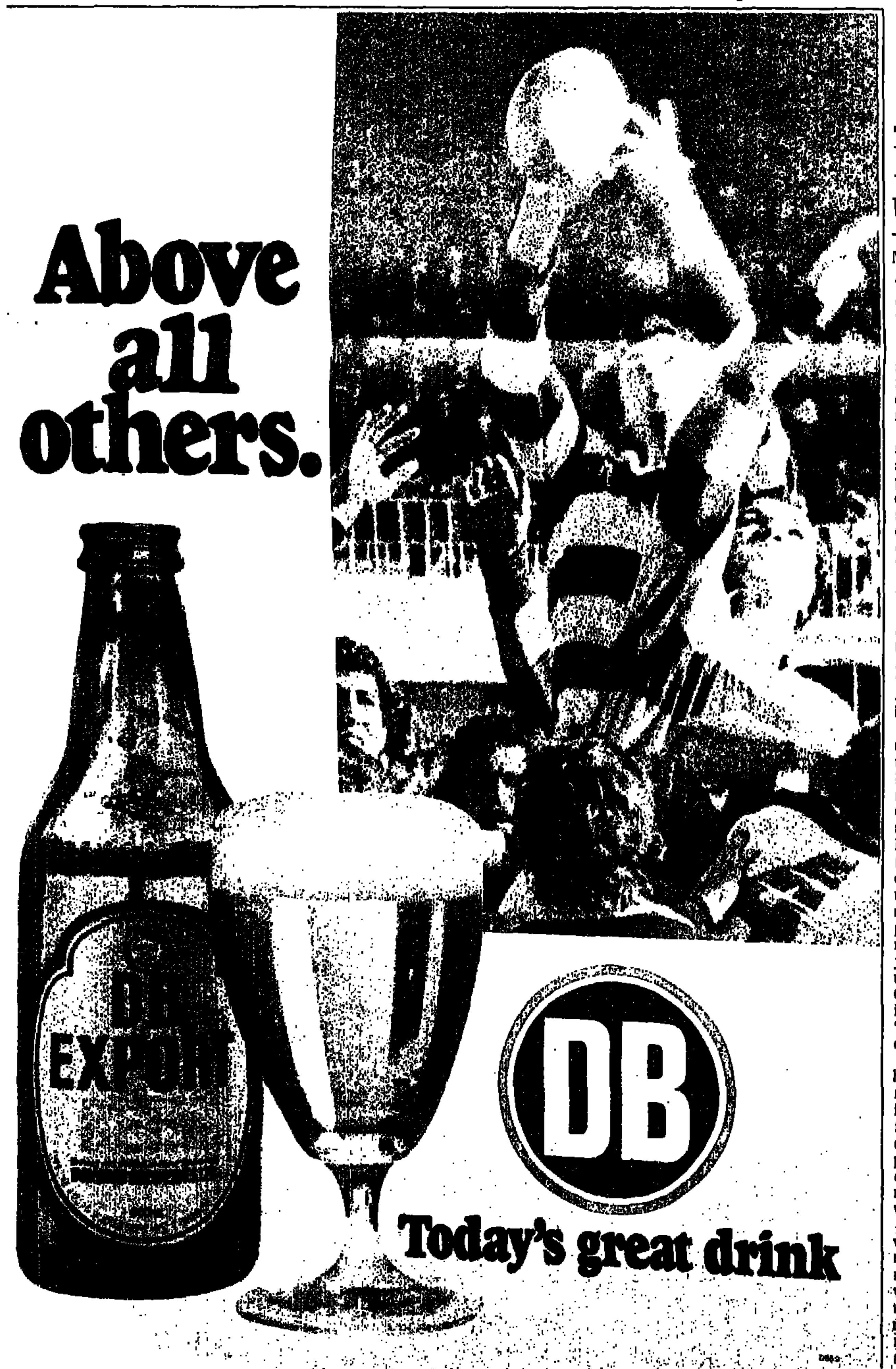
Fraser clearly was [illegible] political winner from [illegible] dispute. The truckies were [illegible] other winners.

A loser was the [illegible] politician Neville [illegible] nicknamed "Nifty" because [illegible] his ability to dance his way [illegible] of trouble.

Wran treated the truck[illegible] far more harshly than [illegible] militant unionists like the [illegible] loaders in Port Kembla, [illegible] over the past three [illegible] have lost millions of dollars [illegible] orders to Japan by their [illegible] work tactics.

The question is left [illegible] truckies dispute as to [illegible] it has set a precedent [illegible] bloodymindedness is [illegible] ded

Or has the Wran [illegible] ministration perhaps [illegible] to change its attitude [illegible] militant unionists [illegible] them the way it [illegible] treated militant [illegible] operators.



Nuclear accident sends uranium shares for dive

Melbourne Correspondent

THE United States nuclear crisis at Harrisburg caused the value of Australian uranium mining shares to fall by millions of dollars on local stock exchanges, reflecting investors' doubts on the future of the Australian uranium mining industry.

The metals and minerals share index of the Melbourne stock exchange dropped 12 points to 612.20, as sellers far outnumbered buyers for the shares of such major mining companies as: Pancontinental, Kathleen Investments, Peko-Wallsend, EZ Industries, and Western Mining.

The United States nuclear accident has occurred at a time when some of the major Australian uranium projects were poised to start mining after years of debate and inquiry into its safety.

For investors in Australian uranium stocks these years of uncertainty were largely brought to an end by the findings of Australia's Fox Commission of inquiry into uranium mining in the Northern Territory. Its major findings were that the hazards of mining, and milling uranium, and the operation of nuclear power reactors, if properly controlled and regulated, were not such as to justify a ban on Australian uranium mining. The Fox Commission's findings were interpreted by many as an "amber" light to proceed with caution.

The Australian Government however, rejected the Fox recommendation of controlled introduction. It approved full-scale mining and export of the nation's uranium, reported to be about one fifth of the Western world's known reserves, with an estimated value of \$(A) 20,000 million.

Nonetheless, there remained within the Australian community and trade union movement, a growing concern with the possible dangers of uranium mining, and nuclear reactors. The fall in uranium mining shares indicates a fear among investors that the Harrisburg incident [illegible] harden trade union [illegible] towards uranium deve[illegible] ment.

In a depressed econ[illegible] some trade unionists [illegible] uranium as a source of [illegible] others who appear to be [illegible] militant and organ[illegible] believe it should be left [illegible] ground, since in their [illegible] adequate safeguards [illegible] exist against the ha[illegible] associated with the pro[illegible] of nuclear energy.

Their position with[illegible] Australian trade [illegible] movement, and in the [illegible] munity at large has [illegible] immensurably streng[illegible] by the United States [illegible] accident.

Construction of the first [illegible] mine since the Fox [illegible] mission will begin in [illegible] weeks in the North[illegible] Territory, and uppermost [illegible] many investors' minds [illegible] have been the thought [illegible] hardening of the allied [illegible] anti-uranium unionists [illegible] adversely affect the [illegible] and progress of [illegible] Australian uranium pro[illegible]

Neither will they [illegible] forgotten that the approv[illegible] full-scale uranium [illegible] to a clash between [illegible] Australian Federal Gov[illegible] ment, and its Parliament[illegible] Opposition, the Austr[illegible] Labour Party, whose De[illegible] Leader warned the [illegible] companies that a La[illegible] Government would repu[illegible] any contracts the compa[illegible] enter.

While these consider[illegible] lowered the value [illegible] Australian uranium [illegible] shares, some investors [illegible] the chance to buy at depr[illegible] prices, taking a long[illegible] view of the world's need [illegible] nuclear power. Suppor[illegible] their assessment the [illegible] ralian National Unive[illegible] Professor of Nuclear Phy[illegible] Sir Ernest Titterton, said [illegible] the anti-nuclear lobby [illegible] merely using the United S[illegible] nuclear accident to jeopa[illegible] Australia's plans to [illegible] reactors. It was inevitab[illegible] said, that nuclear [illegible] reactors would be [illegible] Australia despite [illegible] backlash.

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Meat exporters resist costly Islamic crusade

by John Draper and Warren Berryman

AN Islamic crusade spearheaded by Iran is threatening New Zealand's meat exports to the Middle East.

Already meat exporters have rejected orders worth \$45 million rather than yield.

But across the Tasman, Australian meat exporters have given way. They are now forced to pay up to 10 cents a carcase for Moslem certification.

At present, meat destined for the Middle East, is certified as being killed in a manner similar to that required by Islam.

Strict halal slaughter, as defined by the Koran, requires an animal to bleed to death while a Moslem butcher recites a prayer.

Some works do employ a few Moslem butchers to fulfill small and specific orders. But the freezing companies claim slaughtering in the halal method would slow down chain speeds and cause industrial unrest.

Several hundred Moslem butchers would also be needed giving the Immigration Department a new problem to tackle.

Certification from the New Zealand Moslem community would further add to costs, estimates range up to 15 cents a carcase.

President of the Federation of Islamic Societies and director of the New Zealand Middle East Export Company, Mahzar Krasniqi, has been pushing for the last four years for orthodox halal killing in local works.

Krasniqi proposes that the New Zealand Moslem community provide the halal slaughtermen and the federation certify the meat for export to Islamic nations.

Already, he claims, the Meat Exporters Council has rejected orders from the new regime in Iran for 10,000 tonnes of lamb worth nearly \$14 million.

Before Ayatollah Khomeini's Islamic revolution swept the Shah from power, Iran was New Zealand's second largest lamb market taking 27,000 tonnes last year.

The new Government insists all meat must now be killed in the orthodox halal manner.

Meat Exporters Council sources gave two reasons for rebuffing Krasniqi. Firstly, they did not want to prejudice future orders to Iran with a precipitous delivery before an Iranian delegation, leaving the country this week, had inspected freezing works.

And secondly, they have been alarmed by the Moslem success in Australia and have no intention of being held to ransom over export certificates.

Certification for Iran could cost freezing companies, and ultimately farmers, \$300,000 a year alone. Exports to Saudi Arabia and Iraq are also growing.

Against the cost has to be weighed the personal contact factor, very important to Middle East sales.

Krasniqi does have the contacts, though he insists his business and religious activities are separate.

He was the New Zealand delegate to the recent Moslem League conference in Mecca and contacts made there could certainly open doors to trade particularly in the current climate of Islamic revival.

Freezing companies are prepared to surrender the certification work to an independent authority, but not to Krasniqi nor the local Muslim community.

The Government, the Meat Board nor even the Iranian Government would be acceptable, sources say.

Krasniqi claims the cost need not be as nearly as high as the industry fears. One works could be designed for halal slaughter if export orders for Islamic countries were pooled.

He has a file of orders from Islamic countries, which he says, totals \$45 million, enough to make a halal freezing works a viable proposition.

His company, though small, has arranged sales of New Zealand meat, honey, eggs and dairy produce in the Middle East since 1974.

Krasniqi has also assisted in negotiating a multi-million dollar contract with a Middle Eastern Government, a major New Zealand contractor and one of the producer boards.

Recently, he claims, New Zealand missed out on an opportunity to boost meat sales to Saudi Arabia when a visiting delegation was refused permission to visit a freezing works.

The delegation, led by Professor Omar Ouda El Khatib, chief of the Islamic Culture Department of Riyadh University, was in Auckland last October.

Foreign Affairs account of the visit differs from Krasniqi's. A spokesman said the 12-man delegation consisted of post-graduate students visiting the Moslem community in Auckland.

While here, they requested permission to visit a freezing works but the delegation was not recognised as official and left before arrangements could be made.

Inside:

Petrocorp sure of success

by John Draper

PETROCORP, the Government's counter to the power of overseas oil giants, is confident of astounding its critics soon.

Despite a recent three week stoppage, unconfirmed reports suggest the corporation has struck gas condensate with its first test bore in Taranaki.

Toko 1, close to the producing Kapunui wells has less than two weeks planned drilling left to reach target depth of 4800 metres.

The corporation is keeping tight lipped on Toko's progress. Overseas specialists had to be flown in to save the hole when it reached 3371 metres, but spokesmen refuse to elaborate referring to the holdup only as "sub surface technical problems".

However, it is understood that drilling ground to a halt when hard limestone was unexpectedly encountered. Equipment was also temporarily lost in the bore necessitating a lengthy "fishing" operation to recover it.

Progress was also held up by a big loss of drilling mud seeping through soft strata. Drilling began again last week and substantial progress has been made, according to the corporation.

Spokesman Robin Goode says Toko's technical problems are no worse than those encountered by the Shell-BP-Todd and other multi national drilling teams in the Taranaki area.

Daily drilling reports filed on other wells do show that "fishing" operations are not uncommon.

But Petrocorp has been having problems with its drilling rig, which was bought by an interdepartmental Government committee from Singapore. Petrocorp lawyers have been asked to prepare a compensation claim against the vendors.

Petrocorp admits there were problems with the electrical equipment as a result of being stored in tropical conditions. A main bearing was also incorrectly assembled causing a breakdown not long after the rig went into operation last October.

The rig, costing about \$4.5 million, is understood to have been used on two or three occasions in Indonesia before lying idle for some time.

Petrocorp has been criticised long and often in its year-old history for being short on knowledge in a highly technical business.

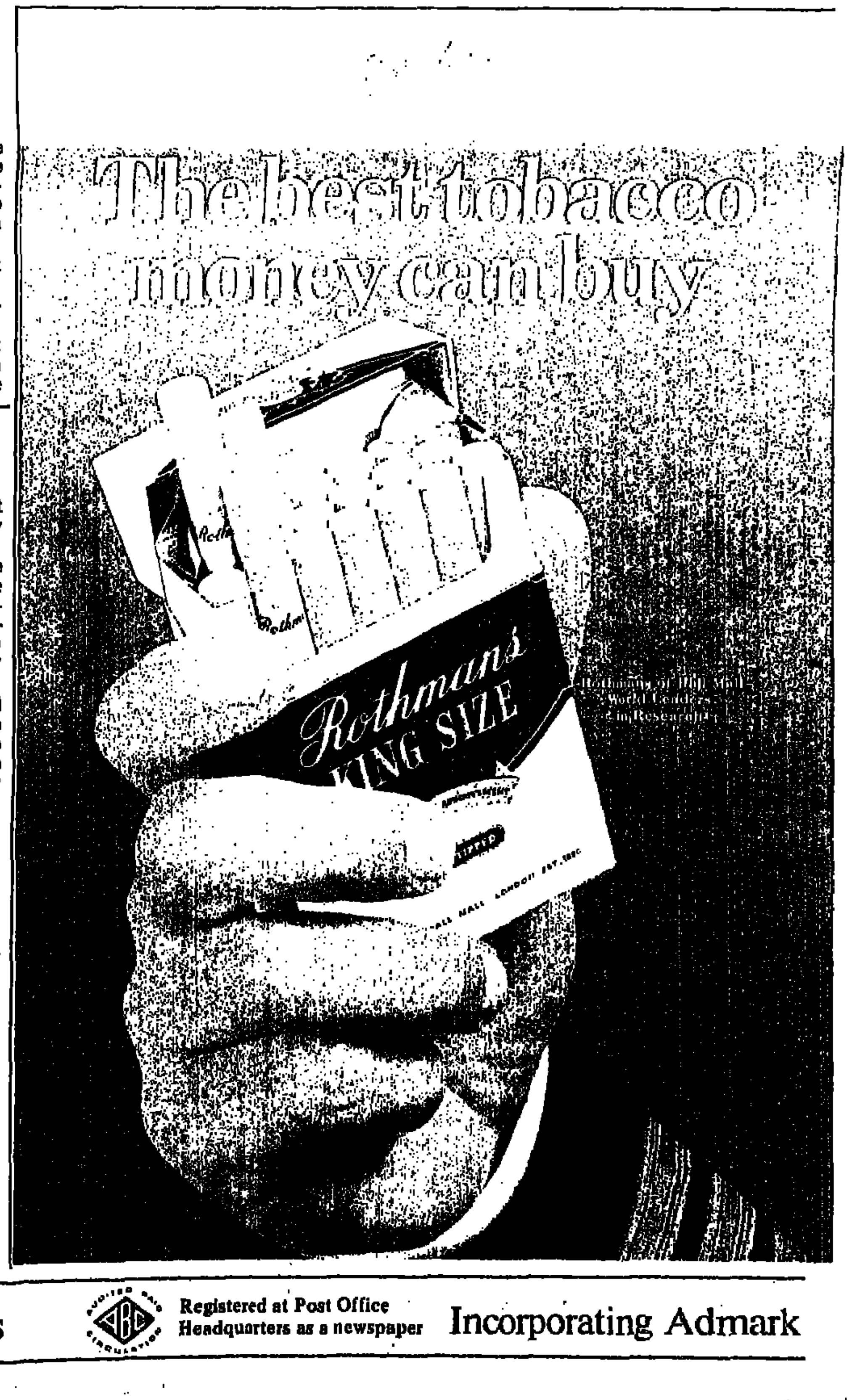
It was formed to combat the reluctance, as seen by the Government, of the international-dominated exploration groups to investigate the on land concessions they held.

Very little seismic work had been done in Taranaki before Petrocorp came into existence. Now it claims to have made an intensive study of the whole area.

Another drilling site has been earmarked to succeed Toko while the group negotiates with Shell-BP-Todd about drilling off the North Taranaki coast.

At least three sites are needed to make the charter of an offshore rig viable. Discussions are going on for a shallow well off the West Coast and a third site has yet to be selected.

Petrocorp executives privately dismiss the vocal criticism from the established industry as jealousy. They are desperately hoping Toko 1 strikes it rich, not only to confound their critics, but to establish Petrocorp amongst the other successful exploration companies.



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Doubt rests on FOL ability to develop strategy

by Colin James

THE OLD master was still doing it right to the end. Dramatic night visits to Parliament Buildings to pull the travel allowance fat out of the fire. A lunchtime agreement for the deregistered boilermakers to finish off the Wellington container crane.

Sir Tom Skinner was the star turn at what should have been Jim Knox's victory conference of the Federation of Labour.

Rabbits — or were they fish full of hooks? — were coming out of hats at such a rate, one could have been forgiven for expecting a dramatic resolution of the Mangere bridge dispute.

It was in the Skinner tradition: stamping out brush fires that might not have started if fire breaks had been made a while back.

The unions involved have known officially for a year or more that tax-free travel allowances were going to be reviewed.

There was therefore time for the FOL to develop a strategy to handle it: to do the background research, promote wide discussion among affiliates, appeal to the Government for intervention, co-ordinate the unions' response if the axe fell nonetheless.

Instead, the FOL stumbled into realisation of the issue's importance only because the airport workers themselves refused, on the ground that a principle was involved, a deal negotiated by their national officials.

Consequently, far from taking the initiative on the matter — at the most basic level, one could argue that travel allowances are no different in essence from the *valuable untaxed free* company car — the FOL was forced into a desperate rescue measure to stop the whole movement getting embroiled in a fight with the Government.

That has been the way. The Federation of Labour has over recent years become the poor relation in industrial relations: reacting to others' initiatives, instead of developing initiatives to which employers and the Government had to respond.

Even in its general wage order application last year, the FOL was upstaged by the well-researched, well-argued Combined State Service Organisation's case.

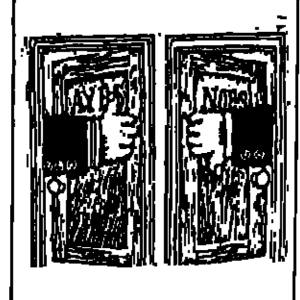
There was a good example of the FOL's tactical inferiority last year when the Employers' Federation initiated a co-ordinated campaign for two-year awards.

The unions were divided on how to respond. Jim Boomer's engineers bought one, but Tony Neary's electricians came within an ace of a strike to force the refusal of one.

When Neary asked Skinner to get the FOL executive to draw up guidelines for unions, Skinner ducked it.

The conference last week eventually did something about it by sending off to the executive an electricians' remit on the subject. The remit wanted indexed wage movements during the award term and a minimum "living wage" for all workers.

More serious than the two-year awards issue has been the failure of the Federation of Labour to seize the initiative in the current Government policy vacuum.



POLITICS

While Skinner has been basking in the glory of getting voluntary unionism ballots modified, the Employers' Federation has been feeding ideas up to the Government for radical changes to the industrial relations system.

Basically, the employers want a Swedish-type system of annual wage-fixing within guidelines fixed by discussion between the Employers' Federation and the Federation of Labour on the basis of the country's economic health, with the Government acting as policeman in reserve if things get out of hand. (See NBR, February 14, page 15.)

Labour Minister Jim Bolger tossed in his bit in the middle of the FOL conference from the safe distance of Auckland, when he warned unions they were going to have to change.

It is not my purpose here to analyse the employers' proposals or the Government's gropings toward yet another (probably half-baked) industrial relations policy.

My point is that any new policy, if it is to work, will need *the positive acquiescence of the unions*, a simple lesson that has been learnt by governments throughout the western world.

Acquiescence would have been a great deal more likely if the union movement had been feeding ideas into the debate than, as will probably be the case, confining itself to throwing bricks at others' ideas and hastily stitching together altenatives after the event.

There was some recognition ot this at the conference. Between them, the Auckland Trades Council, the northern drivers and the harbour board employees got:

- approval for an FOL pamphlet publicising its economic, industrial and economic policies and first moves towards an education programme in schools and the unions themselves and a media campaign;
- approval to investigate sharing research effort with state service unions;
- commitment to a conference of union representatives to consider guidelines for negotiations in the next wage round;
- some movement on the need for the FOL to produce suggested changes to industrial legislation.

Even the executive, faced with what most unionists feel is the inevitable demise of the general wage order system, endorsed a minimum "living wage" proposal under which no award rate would fall below the minimum necessary to give a one-income family a decent standard of living.

The question is, will the new guard pick up these balls and run with them?

Doubts that a Knox-led FOL would do so provided part of the impetus for Neary's challenge for the presidency.

Neary, the right-wing loner, was an unlikely candidate and in the event the machine ensured his challenge never became serious. Wes Cameron withdrew and waverers among the clerical workers eventually decided getting their secretary, John Slater, on to the executive (and on the way to a bright future?) was more important then flirting with outsiders for president.

Neary's candidacy also served another purpose: it forced the election for secretary off the conference floor and into the quiet of union offices through a postal ballot.

The object: to keep SUP member Ken Douglas, of the drivers, out of the job.

Douglas is widely acknowledged to be the most skilful and hard-working of the FOL executive members. Judged by his trade union credentials alone, most unionists I have spoken to rate him the best choice of secretary.

The "red" tag is what makes the difference. But there are signs this is less of a hindrance than it used to be. His conduct on the Wellington Trades Council, of which he is secretary, and the FOL executive has persuaded many that he is a unionist first and an SUP member second, rather than the other way round.

And many of the growing number of younger officials and conference delegates — a lot of them with what might be called "new left (non-communist) backgrounds — are less concerned with the old right-left divisions.

There were therefore real fears among the disorganised right-wingers that a tide of unity created by an unopposed (left-supported) Knox cakewalk into the presidency might have carried Douglas in with it.

As it is, the prevailing wisdom at the conference gave him a good chance of winning even the postal ballot, especially since there were no obvious strong right-wing candidates offering last week.

Such a prevailing wisdom provoked both the Prime Minister and the acting Labour Party leader, Bob Tizard, into anti SUP outbursts last week.

Tizard's was symptomatic of the party's understandable concern not to be seen in cahoots with anyone from the SUP, however legitimate the relationship might be in an organisational sense. A Joint Council of Labour containing Douglas would be highly embarrassing to the party.

The Prime Minster's outburst was a return of his favourite nightmare: a SUP conspiracy reaching into the heart of the union movement.

Since he had to give up union ballots, the Prime Minister has been throwing hand grenades at the unions with some abandon. Threats of wage controls and deregistration have [illegible] falling lightly from his [illegible]

Skinner was adept at [illegible] the grenades safely out of [illegible] way before they burst. [illegible] danger of one going [illegible] greater now that he has [illegible] And the Government [illegible] like nothing better than [illegible] go off under an SUP secre[illegible]

Whether the Govern[illegible] will gets its target one [illegible] pressures of orthodoxy [illegible] conservatism within [illegible] movement are applied aga[illegible] Douglas, time will tell.

But the grenade-thrower [illegible] still be there and the [illegible] master will be gone.

One delegate glo[illegible] forecast in private last week [illegible] return to the union impo[illegible] of the early 1930s.

He may have been a bit [illegible] apocalyptic, but as [illegible] himself acknowledg[illegible] elsewhere on pages 14 and [illegible] this issue, the next few [illegible] are going to be difficult for [illegible] movement.

An undertow of agree[illegible] and unity permeated [illegible] conference. Is Knox the [illegible] capitalise on it?

Fuel saving target wrangles raise public ire

CONFUSION continues to surround the Government's petrol conservation scheme and public criticism is mounting.

Long wrangles over what the targets were for the various sectors, followed by public arguments about the proper way to measure the true extent of petrol savings have done little to enhance the credibility of the Government's earliest "crisis" statement on the issue.

In late February, the Government — particularly Energy Minister Bill Birch — was saying the country was over a barrel, the Arabs had us by the throat and the flow of oil was down to a trickle.

Even now, television advertisements show an oil tanker sailing to New Zealand with the word "cancelled" blazened over it.

But who seriously argues that the present policy of the Government is a response to a supply crisis?

Right from the start, most members of the Demand Restraint Advisory Committee and its three sector sub-committees mirrored the widespread (although not universal) public belief that the "crisis" had more to do with the Government's problems with balance of payments and the internal deficit than with the ability of oil companies to supply this country with oil, or the willingness of consumers to pay the higher prices involved.

In the 10 weeks since petrol conservation measures were first introduced, the tone of the "crisis" talk has shifted fundamentally.

Several industry leaders have frankly told NBR they do not understand what the Government is playing at, and in the present situation, who is manipulating whom or for what purpose.

On top of that is the unresolved debate (raised in NBR several times in recent weeks) of just how much fuel oil, particularly petrol is actually being saved.

NBR obtained the following figures to illustrate the point that different measurements give not only different results but also cover up a number of otherwise hidden activities.

The Motor Trade Association is surveying 101 stations each week. These surveys show impressive savings being made by the motorist.

Initially, Birch was happy to quote these as evidence of the success of the Government's campaign for voluntary savings.

Later he was more cautious, reserving his final position until results of oil company surveys became known. When these showed a less impressive drop in consumption, Birch switched again to relying on figures of off-take from ports as the definitive figures.

Those figures show an inconsistent pattern of saving, and hide in them the amounts bought up by petrol users other than service stations. Hence the bitter accusations from the Motor Trade Association that farmers and industry were hoarding petrol against a rainy day and doing so at the expense of both the service stations and their customers, and the country itself.

WEEK BEGINNING	MTA SURVEY	Oil company survey	Port off take
26 February	+5.22	+9	+19
5 March	-15.44	-7	+9
12 March	-18.30	-10	-3
19 March	-22.60	-14	-7
26 March	-17.98	-11	-5
2 April	-20.81	—	+4
9 April	-0.83	—	-13

On Motor Trade Association figures the average saving for the seven weeks mentioned is just under 14 per cent and 16 per cent if the first week of the weekend sales ban is ignored. But the average for the port off-take figures for the same period is not a saving, but a slight increase of just over 0.5 per cent.

All figures are compared with a base week beginning February 19.

A more interesting picture emerges by comparing just the first five weeks of the campaign for which figures collected by all three measures are available.

The average saving on the figures collected by service stations is still an impressive 14 per cent; it drops to 6.6 per cent on the oil companies figures, and looking at port off take, petrol sales were actually up by 2.6 per cent.

Again the point must be made, if the motorists are saving who is doing the buying that is boosting the port off-take figures?

Even leaving aside the first week's figures on the basis that this time was spent getting used to the conservation measures — and there is a common sense argument to support that — the overall picture does not change much.

Motorist would then have saved over 18 per cent per week on average for those four weeks, on service station figures, 11 per cent on oil company figures, and the port off-take shows a very modest drop of 1.5 per cent.

At the same time as everyone has been urging the motorist to do his-her bit, and arguing over the proper way of measuring that saving, it seems little attention has been given to trying to measure what the industrial and transport sectors have been doing.

Urinals gate crash champagne chorus

by Warren Berryman

CLUB Mirage, Auckland's newest nightspot, opened the other day to the popping of champagne corks and music by Malcolm McNeil. But the opening was marred by six unwanted guests who left two new urinals lying on the floor.

The six were inspectors from central and local Government who had been humming and hawing over the foreign style urinals while the grand opening approached.

The club's owners also operate Cley Restaurant And their five years experience there with the typical Kiwi splash the boots style urinal, got them thinking there must be a better way.

So they imported wall-style urinals from Australia. While these urinals find favour overseas as a clean means of containing misdirected messes—they were apparently a new phenomenon for the inspectors—who immediately went into a flap, flipping through their regulations.

This left the club with no urinals on opening night when 150 dinner suited guests descended on the place. The flap also left the toilet seats unpainted until opening morning.

The various inspectors had the upperhand when the club was still seeking its liquor licence as they had the power to have it refused.

But while the inspectors were busy arguing the merits of splash the boots versus wall style, the club got its licence. And the inspectors gave permission before the second night's business to install the urinals on a three month trial basis

But that isn't the last of the *club's problems. Their licence is for a cabaret—which means live music, not disco.* While the club in no way resembles a disco, the owners realise their musicians can't keep up a non-stop eight hour stint from 7.30 to 3 a.m. and want to play recorded music in the breaks. But they fear some bureaucrat, with a hidebound book of regulations in hand, might hear a bar of recorded music, deem the club a disco, and try to close them down for breaching their cabaret licence.

EDITORIAL

IF you have the uncomfortable feeling that New Zealand is drifting aimlessly into economic trouble — well, don't worry. Prime Minister Muldoon told the Wellington Chamber of Commerce last week he recognises the dangers. And if we have faith — because precious little else was being offered — we will ride out the storm.

The audience's response suggested that was just the rallying cry they had been waiting for. But it would be nice to know that there is a map or two in the chartroom.

Muldoon's speech fundamentally was a defence against charges that the Government doesn't know what it is doing and has no plan for economic management. Muldoon defended the Government not by refuting these charges, but by confirming that indeed there is no detailed plan, and by insisting that such planning is impossible.

He criticised the critics, arguing that "their lack of perception lay in the fact that, in today's conditions, it is not possible to set out even a short-term plan, let alone a medium-term one, in detail for the very reason that the basic assumptions are being changed virtually from week to week, by events which are occurring in the international economy".

Certainly, there may be no detailed and inflexible economic blueprint. But surely there must be some strategy, some plan, that can be communicated to the public? Policies are being announced, regularly (and apparently erratically). Presumably there is some aim to them. If there was no aim to the Government's latest cash loan, for example, why launch it? And if there is no economic strategy, why bother preparing this year's Budget as a statement of the Government's economic objectives? It need be nothing more than a financial statement of the Government's expenditure.

But Treasury officials now should be able to tell if the Budget is going to be contractionary or expansionary. If they can do this, then the Government must have plans.

It is difficult to forecast the future with any accuracy when, as just one example, inflation is rising as it is. But economists can lay down plans within a broad framework.

They have models that can cope with changing variables, and while they cannot measure precisely, they can establish future trends to provide a basis for prudent decision-making in dynamic times as effectively as in stable times.

And if indeed it is impossible to plan into the short-term, let alone beyond, then we might as well pack up the Commission for the Future, the Planning Council, and all those sections of the bureaucracy which employ people who are supposed to be planning. (An obvious advantage would be the small fillip it gives to efforts to cut the internal deficit). Ministers then would need only an ample supply of accountants and auditors to tell them where the country has been and a team of officials capable of responding with hindsight to the happenings of yesterday.

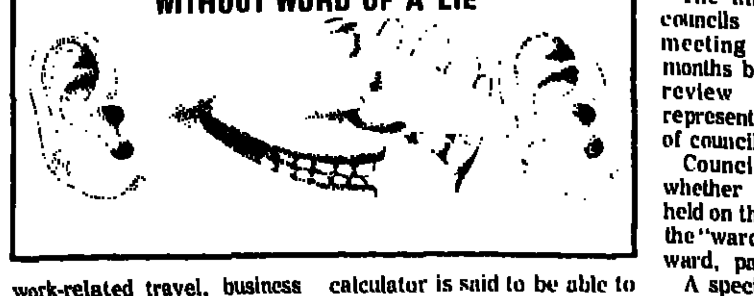
What this emphasis on retroactive government would do for business confidence is problematical. If the Government has no strategy to declare to businessmen, it becomes impossible for the commercial community to plan its activities. And if businessmen must operate in a climate of uncertainty, investment confidence must fall.

Muldoon's views are not shared by Energy Minister Birch, who the previous day said that only comprehensive planning of energy needs and resources each year would help New Zealand through the "difficult and uncertain times which lie ahead". Of course, billions of dollars have been spent on power stations (with Clutha on the way) on the basis of forecasts for increased electricity growth. But we have a glut of electricity and plenty of coal and we are desperately short of a strategy aimed at securing adequate supplies of liquefied fuels. When Maui is opened, guests will see the awesome spectacle of a giant flame as the gas is flared — all of this the legacy of bad planning in the 1960s when the warning signs were there that we should be tailoring our planning to provide for liquefied fuels.

Significantly, Muldoon last week said it was in the field of energy that most of our external problems lay and where we have the most options internally in terms of policy. And nothing more clearly than our energy dilemma demonstrates the need for competent long-term planning and for appropriate political action.

Bob Edlin

WITHOUT WORD OF A LIE



NO one is prophet in his own country — particularly if one happens to be a New Zealander. Take for example the debate on economic restructuring of the economy.

To achieve maximum impact send your ideas to The Australian Financial Review for recycling through this foreign, and thus credible source. Your ideas may be old hat, or repeated ad nauseam here, but let the Financial Review rehash them and you've got a good chance of hitting the front page here or at least get a shot at prime time TV.

The Financial Review, bless them, are keeping the restructuring debate alive long after it died a tired death or went underground here.

Latest shot came with a story titled "New Zealand is not coming apart at the seams" written by University of Canterbury reader in economics W Rosenberg. Rosenberg reiterated the virtues of our depression-style command economy with its controls, import licensing etcetera.

"New Zealand," he said, "is not basically a sick economy. It is fundamentally an extremely vigorous and healthy economy." It all makes far more credible reading on the other side of the Tasman for people who don't have to live here.

Rosenberg qualified his remarks saying, "the New Zealand economy has had to submit to five years of mismanagement" which explained our present predicament.

For the reader unable to get the message, there was a large and very unflattering mug shot of Rob Muldoon, five o'clock shadow and all.

●

A FRIENDLY accountant phoned us last week to add a thorny ethical question to Air New Zealand's industrial debate on taxed travel allowances.

For the businessman, he said, any normal expenditure incurred in producing income is tax deductible, such as work-related travel, business lunches, and so on.

When it comes to export incentive deductions, a junket to say, Hawaii, can be written off by 150 per cent, so long as the executive leaves the beach chair and rum collins long enough to do some token selling — or at least makes a failed try.

But things are different for the worker. He can't earn his income if he doesn't get to work. But the cost of getting to and from work is not seen by the Tax Department as expenditure incurred in producing income, though it would seem a more obvious sine qua non than the business lunch.

And why, the accountant wondered, should Inland Revenue single out Air New Zealand employees when, to his knowledge, so many other firms were writing off travel to work expenses for employees?

●

THE next bit of electronic gadgetry to hit the executive's desk could be a bio rhythm calculator.

According to the distributor of the $65 Kosmos calculator, Angela Griffen, this pocket-sized wonder will take much of the guesswork out of setting dates for important decision-making.

Just punch your date of birth into the calculator, followed by today's date, and it will tell you what you probably already know — your physical, emotional, and intellectual rating for the day. Lights flash on the calculator if you happen to be at an emotional low.

But by punching in some future date, like the proposed date for a board meeting or weighty negotiation, the calculator is said to be able to predict your state at that time. Who knows what juggling of weighty dates this device might bring.

●

FOR broadcasters involved in talkback, there's no greater security than the seven second delay mechanism that allows the elimination from the airwaves of words which might be defamatory or just downright obscene

But we hear that Gordon Dryden's Radio Pacific which has a heavy talkback content — has no such mechanism, or if there is one that it isn't always diligently used.

And so it came to pass that listeners were invited to phone in to give the meaning in English of a particular Maori phrase.

Among the first callers to give it a go was a man who said the words meant . . . and he proceeded to describe in somewhat colourful terms what we modestly will call the male member in an interesting condition.

Our informant neglected to find out if it was the right answer.

●

LOCAL body councils have got the message about holding special meetings soon or putting next year's local body elections in jeopardy.

Department of Internal Affairs officials say wide publicity was given to their suggestion that city, borough and county councils — which might have overlooked a 1977 amendment to the Local Government Act — would find their elections open to question. This prompted many councils to take action.

The amendment requires councils to hold a special meeting not less than 11 months before an election, to review their method of representation and the number of council seats.

Councils must decide whether the election will be held on the "at large" system, the "ward" system, or a "part-ward, part-at-large" system.

A special order stating the decision must then be passed.

Councils are not obliged to change the basis of their elections but must still pass the special order required under the Act. Otherwise councils run the risk of having their elections declared null and void.

Councils are not required to inform Internal Affairs that they have carried out their obligations, but a department official said a large number appear to have held meetings since March when Local Government Minister Highet warned that time was running out.

●

THE country's biggest export house is pleading with the Government for a nationwide telex link.

Several times the Trade and Industry Department's request has been rejected but another bid has been entered for this year's estimates.

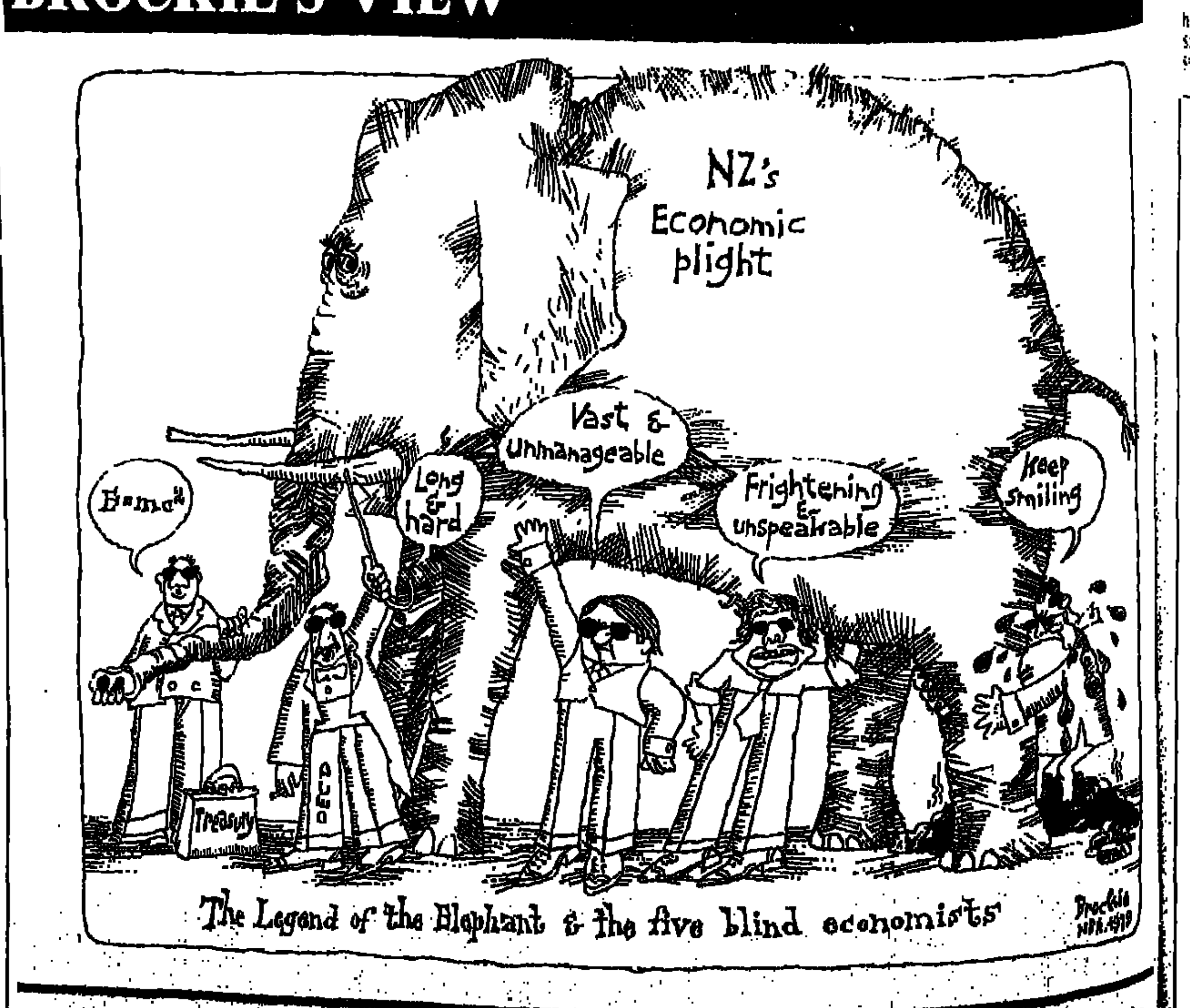
With the increasing tempo of export activity the overseas trade division is keen to improve its local communications network.

Incoming inquiries from overseas post are channelled through the Foreign Affairs network to Bowen House where officials then telephone or write to interested companies.

Trade and Industry claims its telex would complement rather than replace, the Foreign Affairs network while putting it in better touch with exporters and manufacturers around the country.

Once connected, the machine will be plugged into the international telecommunications network . . . just in case the Foreign Affairs link breaks down?

BROCKIE'S VIEW



The Legend of the Elephant & the five blind economists

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SOME top brass in the Treasury advisory heirarchy are apparently concerned that Labour member Roger Douglas has climbed on the bandwagon for changing the National Superannuation scheme.

There is a strongly developing line of thinking in Treasury, that a "super tax" needs to be imposed on some superannuitants to ease the burden of this very expensive piece of social legislation. The concern expressed was that if Labour starts touting similar ideas to those advocated by Treasury, the Government might reject them because it could appear that they were taking Labour Party advice.

Even though the Government deferred the full implementation of the super scheme for as long as it could, there is now no question that Treasury is alarmed by the cost of it. How to give the Prime Minister a face saver is, however, proving to be an extremely difficult task.

●

MORTGAGES for first-time homebuyers are becoming harder to get as the housing market loses its safe and sure investment status.

Trusts and private individuals, who were previously solicitors' traditional source of funds for redirection to home buyers, are now favouring high-yielding Government bonds and trading bank investments.

Solicitors have been providing the lion's share of housing finance, twice that allocated by the Housing Corporation and other Government agencies.

To counter the declining pool, Donald Burtt at the Institute of Economic Research is advocating the introduction of housing bonds.

He told a seminar on finance organised by the National Housing Commission that similar schemes were already successfully working in America and Scandinavia.

Burtt suggests the Government should take on the role of broker, to avoid the high costs now charged by solicitors for arranging home mortgages, arranging terms to suit both borrower and lender.

For instance, a potential house buyer needing to borrow $20,000 might arrange four $5000 bonds.

If necessary the bonds could be traded.

Burtt claims the bonds will open up a freer and more competitive market for housing funds offering investment opportunities for both small and large investors. Government could still exercise some control over housing finance by the buying and selling of bonds.

●

IT'S easy enough to get carried away with enthusiasm about the possibility of diversifying into delicacy meat lines like rabbit. It does, after all, make a great deal of sense. Rabbits breed like . . . rabbits. They show a very good return on a price-weight ratio an important point when we are separated from the rest of the world by rapacious shipping and airlines.

Who knows . . . with a little innovation and entrepreneurship we might even climb out of the seemingly bottomless economic pit. Possibly, we will. But not if the anti-rabbiters have anything to do with it.

The response from Pest Destruction Boards to the idea floated by Rob Talbot, Under Secretary for Agriculture, that a rabbit farming bill might come before parliament this year, was probably predictable. It was also a fascinating example of bureaucratic double think in the hinterland.

The chairman of the Wairarapa Pest Destruction Board was reported in the press as saying that rabbit farming would lead to a black market in wild rabbits; graft within the pest destruction service, restrictions on the use of 1080 poison, and the waste of money invested in research into disease control of rabbits.

Without commenting on the logic of some of these conclusions, we were intrigued by the solution put forward by some members of the Wairarapa Board to beat rabbit farming. They wouldn't ban rabbit farming outright, but they would stipulate the type of rabbit to be bred, enforce strict killing and processing regulations, exert tight control of rabbit skin trading, and allow only export sales of rabbit meat.

The purpose of this approach, board members explained, was to prevent rabbit farming ever getting off the ground by imposing regulations that would make economic viability impossible!

●

WHATEVER happened to the report of the Committee on Defamation and its recommendations on the law? The report, completed in December 1977, seems to have been shelved without any serious consideration being given to its findings.

It put forward some sound proposals on a law that significantly inhibits freedoms of speech that exist in many countries.

Media bashing has again become a popular sport. Perhaps politicians feel that keeping the law as it stands helps maintain an element of intimidation at a time when there appears to be plenty of scope for criticism of authority.

Or perhaps, freedom of speech is not considered a particularly important issue when a $1.5 million internal deficit is facing the nation.

Whatever the reasons, this report appears to be suffering the fate of so many expensive public relations exercises promised and undertaken by successive governments and then abandoned. Perhaps that's the problem — after all, the committee was set up under a Labour Government.

○

THE PRESS perhaps doesn't appreciate that a packaging battle is about to erupt around the merits and otherwise of putting milk into bottles — or cartons (NBR May 2, 1979). Or that the battle has multi-million-dollar implications for industrial giants like UEB.

Then again, maybe the paper is aware of the forces being mustered to support the rival claims of those packaging materials and the lobbying being among the bureaucrats. And it has unabashedly gone out to bat for glass, irrespective of the claims that can be made in support of cardboard.

Whatever the reason, the glass lobby must have been thrilled with the six columns devoted by The Press to praising the humble milk bottle recently.

"Champagne bottle of the kitchen table", trumpeted the headline. The accompanying illustration — an impressive 13cm wide by 7.5 cm deep — showed a milk bottle nestled in an ice bucket.

The story began: "The milk bottle is the unsung hero of the milk industry..."

With a milk bottle, what you see is what you get, The Press reported. The bottle clearly and honestly identifies its contents yet makes no extravagant claims about its benefits. "In a world of high-powered, hard-sell packaging this sort of starkness is rare and welcome."

The article claimed the milk bottle was still the most cost-efficient packaging unit available in the country, even taking into consideration the time and effort involved in collecting and washing bottles. And it speculated that while New Zealanders might have the choice of buying milk in cartons in the long term, "the town milk industry discounts any possibility of a country-wide change soon."

Why? Well, here we have a clue to the source of the item. "Such a move would present the country with a massive bill and could spell the end of the home-delivery service."

Milk in cartons had boosted shop sales overseas and had decreased the demand for home milk delivery. "Vendors have subsequently found themselves with fewer customers until their runs have become uneconomic and the system has finally ended."

Oh dear. And if only we had heeded similar pleas against change in the past, you would be reading this as something painstakingly carved into a tablet of stone.

●

NBR staff journalist Belinda Gillespie has won the Pharmaceutical Manufacturers' Association 1979 award, and $500, for the most worthwhile article on health care.

Gillespie, NBR's health writer, took the award with an article on drug research bills.

●

WORK on Parliament's new beehive building is almost complete except, apparently, for some testing on the dynamics of the graceful political environment.

One test an Irish workman on the building reportedly put to site engineers last week, posed the question: "If Frank Gill and Rob Muldoon jumped from the top of this thing which one would hit the ground first?"

"What does it matter?" came the perplexed response from the experts working on more ephemeral test procedures.

Mayor ready to shut airport to win go ahead

by Rae Mazengarb

WELLINGTON'S Mayor Fowler wants to scuttle aging freighters to stop the Cook Strait from washing away a possible future southern airport extension.

He told National Business Review that sunken ships could save a large slice of the estimated $21.2 million cost of protective work for the extension.

Fowler says he has been looking at both Hong Kong and Singapore to find freighters to be sunk at the end of the runway in 25 metres of water.

The nine-year row over the airport extension has left the mayor bitter.

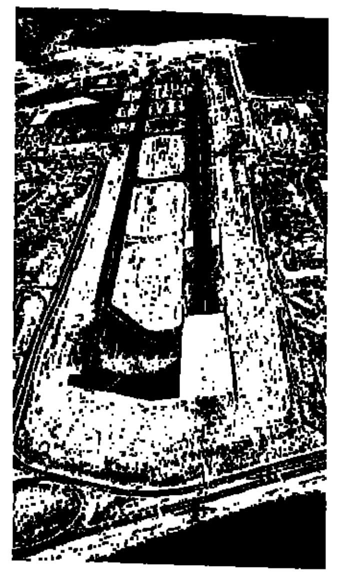
"The Ministry of Works is acting under implied, if not specific instructions to delay the making of a decision," he said.

Fowler said that if the Government stalled again there was nothing the council wouldn't be prepared to do. He would "close the airport, if necessary".

Discussions have dragged on since 1970 and seven reports (including updates) on the feasibility of a longer runway — all favourable — have brought the authorities no closer to a decision one way or another.

Fowler and other interested groups must wait for yet another round of deliberations, for there will be another report.

And this, a joint Government-council attempt, will cost ratepayers and taxpayers $50,000 to find out if extensions are in the national interest.



WELLINGTON AIRPORT . . . heads for rack.

At the hub of the row is the use of the wide-bodied DC10s in maintaining the trans-Tasman airlink.

The capital's business community maintains there is an urgent need for the introduction of a DC10 service through Wellington.

Presently served by the DC8s — at present costing $4 million more a year to run than the bigger craft — Rongotai provides a woefully inadequate service, according to the trading lobby.

This is because the DC8s — already working to capacity — are unsuited to the air containers which are regarded as critical to the exporters' ability to compete internationally.

Because the containers are interchangeable with all types of wide-bodied craft they reduce multiple handling, packaging and the damage or pillage of cargo.

But opponents of the extension have argued that the development of Wellington's airport — uniquely sited on a slither of land between the harbour and Cook Strait, in hilly, built-up surroundings — is a costly and dangerous exercise, only to satisfy the parochial interests of a section of Wellington's community which wants to keep up with Auckland and Christchurch.

The argument is history. Opening the airport's new international terminal building in October 1977 Rob Muldoon said: "For as long as I can recall in my knowledge of Wellington the battle for a bigger and better airport has waxed but never waned."

At a time when it was thought a 1150ft extension would be necessary costs were assessed at $11.5 to $15.5 million for an extension north and from $29 to $42 million for an extension south.

But the Government required "more information on costs and other factors", Muldoon said.

"Accordingly, the Cabinet decided this week to authorise engineering investigations relating to an extension...no expenditure will be incurred until the Minister of Civil Aviation, Mr McLachlan is satisfied that an extension is, on economic grounds, preferable to the use of trans-Tasman services of aircraft for which no runway extension is necessary."

That was 1977.

Now well into 1979 it seems Government is no closer toward making a decision.

Deputy civil aviation director, Harry Brown, asked for a report on extension plans, admitted: "Not much progress has been made, I'm afraid."

Yet in November last year when McLachlan met with the council on the issue it looked as if the matter was reaching a conclusion.

But then came the decision for a further report at a cost of $50,000, borne two-thirds by Government and one-third by council.

Wellington consultants W D Scott already have preliminary estimates of cost and their brief will be to quantify the national advantage or otherwise of Wellington as a trans-Tasman link.

"If they showed at this time an extension would be disadvantageous to the national interest, we would accept it," Fowler said.

But he is confident the report will justify the expense of an extension.

Meanwhile, the Ministry of Works is involved in a $150,000 exercise gathering wave data from buoys sited in Lyall Bay to the south.

Officials say work on construction of a scale model to test wave action will begin in about one month and all that information will be compiled into a report early next year.

No wonder Fowler says: "If the Minister of Works, Bill Young and the Cabinet Expenditure Committee can put something off, they will try."

Fowler believes if a decision is not made soon there will be disastrous implications for Wellington.

Air New Zealand is not prepared to guarantee the retention of the DC8 after 1984, and Fowler says he cannot see a practical alternative to the DC10 replacement.

He says it has the greatest freight-carrying capacity. But aside from the trade aspect, he believes an extension would help Wellington tap its tourist potential.

Qantas has already indicated its interest in excursion flights through Wellington, provided the airport can meet the demands of the wide-bodied jets.

Ministry of Works capital works programme sets down April 1980 for the beginning of construction on the extension, with work to be completed by April 1984.

Fowler is certain this is to be the last report and that construction will begin as scheduled.

"We would be delighted if a decision to extend is made in December and construction begins as programmed for April 1980," he said.

The key to this report was that it was the first jointly commissioned by council and Government and some cognisance must be taken of the very large expense involved, he said.

Preliminary estimates of the cost of a 700ft extension have just been received from the Ministry of Works.

A northward extension is assessed at $10.9 million — with the existing roadway.

The equivalent southward extension is estimated at $26.5 million, though subject "to many aspects of verification".

City engineer Jim McDonald says the large difference lies in the cost of protective work, since the southern end is subject to storm conditions.

Whereas the cost of protective work at the northern end is only $.3 million, the equivalent to the south is $21.2 million.

"So if a solution can be found that is cheaper than conventional methods of protecting the south, that end could easily become economic," McDonald said.

The southward extension is favoured despite cost because it shifts the noise level away from built-up areas and there will be little interference with roading and less truck movement over busy roads during construction phases.

NBR BUSINESS WEEK

Massive AMP share portfolio beats index

by Peter V O'Brien

THE list of company ordinary shares held by the AMP Society at December 31, 1978 carries a warning note:

"The composition of this share portfolio is changing continuously and the inclusion or omission of particular companies as at 31 December, 1978, is not indicative of the society's current investment attitude."

The society might have added another note; that shares are bought and sold during the year, so that the holdings in any particular company can have several alterations in 12 months, while the year end figure is still similar to that of the previous balance date.

Even with those two caveats, examination of the portfolio is interesting, because the society is the country's largest investor in all fields. The share portfolio had a market value of $70.6 million at December 31, 1978, compared with a market value of $50.9 million a year earlier.

Unfortunately, it is difficult to make exact calculations about the movements in value during the year (a trade secret among all insurance companies), but a comparison can be made between the two balance dates.

At December 31, 1978 the society's assets invested in ordinary shares totalled $64.56 million, compared with $55.07 per cent in the previous year. That change relates to the $9.7 million invested in equities in the year, so the assets appear to be recorded at their purchase price. At the end of the year the market value of the investments in shares was $70.6 million, compared with $50.9 million in 1977.

After deducting the purchase price of new investments, the $70.6 million comes back to $60.9 million, although that figure also includes the difference between book and market value of the $9.7 million.

Subject to an amendment for that amount, the overall market value of the portfolio increased 19.6 per cent between 1977 and 1978. With the change between book and market values for the $9.7 million of new investment, the society appears to have "beaten the index" over the year. (Although the inclusion this year of specified preference shares, which may have been omitted in the previous report, could alter the figures).

That is a good result, when set against the society's range of holdings, which cover 79 companies where there is an investment of more than $20,000. (Holdings with a market value of less than $20,000 are not individually listed).

Commenting on equity investment, the annual report says: "Shares purchased amounted to $9.7 million. Share prices were considered to be favourable for a long term holder and the Reserve Bank index showed a generally increasing trend to finish 11.8 per cent above the level at the end of 1977."

A broad comparison between holdings in 1977 and 1978 gives some indication of the society's investment pattern during the year, subject to the qualifications, and to the cases of companies which had cash or bonus issues last year

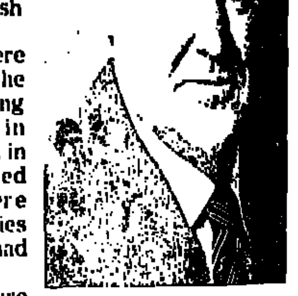
Most of the movements were small, suggesting that the society was increasing marginally its holdings in companies already included in the portfolio. Specified preference shares were related mainly to companies where the society already had ordinary shares.

The influence of large share parcels placed among institutions shows up in several places, notably New Zealand Steel Ltd. The society held 969,000 shares in the steelmaker in 1977, but the number increased to 1,374,000 by December 31, 1978.

The society's faith in the insurance industry is also noticeable among the changed investments last year. The holding in the National Insurance Co Ltd went from 298,000 shares with a market value of $521,000 in 1977 to 742,000 shares worth $1,410,000 on the market a year later.

The higher number of shares incorporates bonus issues made by the company, but an average market value of $1.74 in 1977 had gone to $1.90 in December, 1978, an increase of 9.2 per cent.

There was a lift in investment in the automotive industry, particularly New Zealand Motor Corporation where the year-on-year holding went from 983,000 shares to 1,237,000 shares. The builders supplies sector also saw a reasonable increase in investment, which may appear surprising, given the state of that industry. But part of the movement relates to the takeover of Mason Industries Ltd by the Ceramco group, which increased the Ceramco holding after removing Mason Industries from the portfolio.



DOUGLAS SMITH ... 68 million portfolio.

Apparently in expectation of the change of fortunes in the meat industry, holdings were increased in CFM and Waitaki NZ Refrigerating, the latter from 981,000 shares to 1,323,000. That movement was in the ordinaries, and the 1978 report also includes 361,000 specified preference shares.

A holding of 100,000 shares in the New Zealand Refining Co Ltd at the end of 1978 is a new investment, being absent from the 1977 report. While there could be other reasons, the investment may be related to the $350 million expansion at Marsden Point, which the Government approved last week.

The total portfolio is brought into perspective when the $9.7 million of new investment is considered. That amount is equivalent to the total portfolios of some other insurance companies.

Analysing annual accounts

by Peter V O'Brien

SOMEONE at Tolley Holdings Ltd must be reading this newspaper. Last year we criticised the company for failing to include any reference to its activities in the annual report. The 1977 report had a lot to say about the economy and social matters, but not one word was printed on what the company did.

All is forgiven this year. The 1978 Tolley report comes in two parts. One is a review on the year, including the accounts. It contains the usual views and opinions about the economy and the state of our national life from managing director Brian Tolley, but there is also reference to group performance broken down into the various divisions.

We learn that Tolley has a cable division, a transformer division, a switchgear division, an agencies division and exports goods. We even find out that "as a company we specialise in the supply of products for the generation, distribution, efficient control and usage of electrical energy".

The second part of the report is a 12 page glossy booklet, complete with coloured photographs, describing how the company manufactures its products, again divided into divisions. The back page lists the products and brand names. There are 125 different products in the list (and some of them are probably broken down into different types of the same product) and 51 brand names. The products cover most of the alphabet starting at "Air circuit breakers", and concluding with "Wires Winding". Brands also range through the alphabet, from "Aelop (USA)" to "Unelec".

The company exports to Australia, Papua New Guinea, New Caledonia, Bougainville, Fiji-South Pacific, Singapore, Hong Kong, Bahrain and Kuwait. It has factories at New Plymouth, and sales offices at Auckland, Hamilton, Palmerston North, Hutt Valley, Wellington, Christchurch, Dunedin and Invercargill. Bulk stores are situated at Hamilton, Hutt Valley and Dunedin, while the head office is in Wellington.

The two documents tell shareholders, and any other interested readers, nearly all there is to know about Tolley Holdings and its business. So we give the directors and executives a big pat to replace the swift kick administered last year.

Tolley has usually produced formal accounts of a good standard. The pattern is continued this year. The profit and loss account reveals the problems facing the company and its industries in a period when capital investment in industry was low, and public authorities, particularly power boards, also limited capital expenditure. The latter seems to be the results of a reduction in power demand, although that is not referred to in the report.

Group sales in 1978 were $24,121,040, compared with $24,180,372 in the previous year. After allowance for price inflation over the year the company probably had an overall reduction in sales volume. Reference in sections of the report to a fall in demand in various divisions supports that view.

But costs, inconsiderately, failed to show the same restraint. Group costs and overheads increased from $22.8 million to $22.98 million, depreciation was $64,300 higher at $618,190, while interest on fixed debt jumped from $515,866 in 1977 to $657,713 last year.

The result was that the company made a trading loss of $169,340 before export sales incentive and taxation, compared with a profit of $250,990 in 1977. Export sales incentive rebate (now paid in cash) brought in $350,620 compared with $460,258 to give a pre-tax profit of $181,280 ($711,248).

When tax adjustments were made, and allowances written in for minority interests, revaluation of term debt, and profit on sales of assets (a nil amount in 1977), Tolley finished the year with $841,394, compared with $826,026 in the previous year.

The figure was $345,324 before the extraordinary item, a substantial decline from 1977's $826,026.

It seems remarkable that a company with $24 million in sales could earn only $250,990 in 1977 and make a loss in 1978 without the benefit of export incentive rebates. But the electrical industry is notorious for its fluctuations, which stem from reliance on a combination of public and private sector capital spending. Government policies (or lack thereof) create a stop-start environment for the industry across its total business.

In spite of the difficult year the balance sheet shows that the company managed to improve its proprietorship ratio marginally from 36 per cent to 37 per cent. The downturn in business seems partly responsible for a cut in debtors and a substantial downturn (about 25 per cent) in amounts owing to creditors, although reorganisation of debt affected that amount. Inventories, on the other hand, increased both in value and volume, as explained in the text, going from $7.6 million in 1977 to $8.7 million last year. While increased costs would account for part of that movement, the report explains that "If it had not been for the downturn in economic activity of the industry, inventories would have been held at the previous year's level."

The switch of some current debt to term debt improves the financial structure overall, an improvement which will provide benefits in what looks like another tough year.

Exchange rates

As at May 3, 1979 $1NZ is worth:—

Australia	.9460
Britain	.5019
Canada	1.1845
Fiji	.8721
Japan	873.68
West Germany	1.9612
USA	1.0371
Austria	14.46
Belgium	31.22
China	1.6153
Denmark	5.4818
France	4.5085
Greece	38.47
Hong Kong	5.2203
India	8.4828
Italy	873.68
Malaysia	2.3040
Netherlands	2.1268
New Caledonia & Tahiti	81.94
Norway	5.3238
Pakistan	10.19
Papua-New Guinea	on application
Portugal	50.72
Singapore	2.2831
South Africa	.8755
Spain	68.26
Sri Lanka	on application
Sweden	4.5363
Switzerland	1.7776
Western Samoa	.7524

Key indicators

		Current Period	Previous Year	Per Cent Change
Consumers Price Index all groups base Dec 1977-1000	March 79	1186	1080	+10.00
Building Permits Issued	Dec 78	$100.4m	$84.0m	+20.00
	Dec 78 yr	$1072.7m	$1161.8m	−8.00
Official Overseas Reserves	Feb 79	$774.3m	$645.1m	+20.00
Registered Unemployed — incl those on special work schemes	April 79	51,788	35,088	+47.00
NZSE Share Price Index	3 May	330.19	313.15	+5.42
Reserve Bank Share Price Index	2 May	1881	1818	+4.78

Taxation helps lift food processors' net profits

by Peter V O'Brien

THE Reserve Bank has statistically confirmed that 1977-78 was dismal for public companies.

The bank's April Bulletin contains statistics taken from the accounts of 374 public companies received in the December quarter of 1978. While many of the companies have March balance dates, the figures include the bulk of those with balance dates at the end of June: stock and station companies, for example, which contributed 11 sets of accounts.

Company performance was substantially lower than that in the previous year. The relationship between net profit and shareholders funds is a key test of company profitability. The analysis shows that the 374 companies earned an average 10.6 per cent on shareholder funds, compared with 11.9 per cent in the previous year. The table sets out the relevant figures by industrial sectors, and the returns of overseas companies, which have had a separate heading since 1978.

Sector	No of companies	Return 1978 per cent	Return 1977 per cent
Food Processing	30	9.8	9.0
Manufacturing	183	12.6	14.1
Wholesale and Retail	105	11.8	12.5
Stock and Station	11	6.7	8.5
All Others	45	7.1	12.2
TOTAL AMALGAMATED	374	10.6	11.9
TOTAL LISTED PUBLIC (NZ)	68	8.8	10.5
TOTAL OVERSEAS	306	12.4	13.4

Overseas companies had marginally less of a downturn than New Zealand owned groups. The reason is the *heavy drop in profitability* for stock and station companies and "all others" compared with overseas companies.

The net profit of overseas companies rose $5.1 million between 1977 and 1978, while the New Zealand listed public companies had a decline of $7.1 million. The "total amalgamated" profit was down $2 million on the previous year.

The table shows that food processing companies were the best performers, being the only group which increased the return on shareholders funds. The group was probably aided by an upturn in the processing industry which occurred in the latter part of the 1977-78 year. Since meat companies balance in September-October, it is unlikely that any of them are included in the statistics, due to the delays in balancing the books, printing an annual report, and making it available to the public.

Taxation seens to be the main factor in lifting net profit for food processing companies. Several of these organisations are heavily involved in exports, and therefore they obtain benefit from taxation incentives.

Taxation for the 30 food processing companies was $10.7 million as against $14.2 million in 1977. While other groups also had a drop in taxation requirements, resulting from lower profits, food processing companies were the only group to lift pre-tax profit. That would usually result in an increased tax liability, but the fact of a fall in tax indicates that incentives accounted for the change.

The 11 stock and station companies had the worst profit result for the year. Their pre-tax profits fell from $52.7 million to $45.7 million. Taxation was $4 million, compared with $13.4 million, while net profit came out at $16.9 million. In 1977 the figure was $19.6 million.

But times have changed. It is unfortunate, but unavoidable, that the time lag in analysing the accounts never reflects the current situation. The matters which resulted in profit downturns, and a corresponding drop in returns, were part of the reason for the stimulation (much of it artificial, as we are now discovering) given to the economy.

Company profits in 1978-79 should be higher than in the previous year, although it remains to be seen whether the higher dollar profit will result in the return on shareholders funds returning to, or going above, the 1977 level.

The statistics also confirm that capital investment has also tailed off, in spite of the Prime Minister's recent speech comments that companies building new factories are indicating their faith in the economy.

The 374 companies had capital commitments of $63.3 million at the end of their respective financial years. In 1977 the amount earmarked for capital expenditure was $80.1 million.

In this area it is interesting to note that the overseas companies had a greater erosion of "faith" than the total. They were expected to spend $29.8 million, compared with $41.5 million in the previous year. The "total listed public" group had capital investment commitments of $33.6 million, only a modest drop on the million of 1977.

That result has significance for the programme to attract overseas investment into New Zealand. If the companies already here are cutting their development expenditure, relative to locally owned companies, changes to the economic and investment climate seem warranted to make the country attractive to potential overseas investors in quantity.

Performance precis

Lanes Industries

Net Profit: $139,063
EPS: 16.34 cents (32.68 per cent)
DPS: 5.625 cents (11.5 per cent, up 1.5 per cent)
Cover: 2.84

THE Levin based textile company had the distinction of being the first listed company to report in respect of the financial year which ended on March 31. It beat Radio Avon (see below) by one day. The company also had good news for its shareholders, in keeping with its "first-up" status. Net profit was 21 per cent ahead of the previous year, and a record. Lanes has an erratic record, although the fluctuations are now being ironed out after the disposal of the hosiery manufacturing business. The hosiery industry was subject to fierce competition some years ago. Lanes has been concentrating on fabric manufacture in the recent past. The company has an integrated operation at Levin including its own dyehouse, through a subsidiary organisation.

The textile business is also a fiercely competitive industry, both internally and in relation to overseas producers. Within the present industry structure, and the official policies applied to it, Lanes' result in the latest year shows promise, provided it can be maintained. The directors appear to think so, because the dividend has been increased, and the total payment is tax free in shareholders hands. But the payout has still to reach the 13 per cent paid between 1972 and 1974. The dividend was passed in 1975, before moving to 7.5, then 10 per cent for two years, and now 11.5 per cent.

National Insurance Co

THE Dunedin based insurance group's interim report says that net profit for the first six months of the current year was only $8000 above the previous year.

A loss in the underwriting account affected the group's figures. This year the underwriting account produced a loss of $375,000, compared with a $99,000 profit in the corresponding period of the previous year.

October floods in the South Island and "abnormal prior claims" in Australia influence profitability in that section of the business. The loss was offset by a $482,000 rise in investment income.

While the result may appear disappointing, it is part of the ups and downs which affect the insurance industry. Insurance is a risk business, and the companies attempt to cover themselves as far as they can. Over several years they come out "right", but abnormal events can influence the figures on a short term basis. The directors noted the point in the interim report when they warned shareholders that "the results of a selected period of a financial year are not necessarily a reliable guide for the remainder of the year.

Over the long haul insurance stocks are worthwhile, and should not necessarily be sold because of short term fluctuations in profits.

Radio Avon

Net Profit: $287,200
EPS: 59.26 cents (118.53 per cent)
DPS: Not Payable, due to capital repayment

THE second company to report for the year produced a profit increase of 33.4 per cent, and other good news for shareholders. Radio Avon is to apply to the Supreme Court to allow the repayment of 25 cents a share (half the par value). The original plan was to make this payment in three stages spread over the period from June 1979 to June 1980. The company will make the total payment on June 30 this year if the Supreme Court approves the proposal.

Radio Avon will then have a one for one bonus issue, resulting in the shareholder holding two 25 cents shares, after receiving 25 cents in cash.

Radio companies have been among the stars of the sharemarket in the last six months, with Avon among the best. The company has enjoyed substantial profit gains each year since 1974, with a corresponding improvement in the share price. The latest result, and the capital plans, should ensure that the group continues to enjoy high [illegible] on the sharemarket. [illegible] shares are definitely a [illegible] proposition.

R & W Hellaby

HELLABY'S interim [illegible] confirms the general [illegible] derstanding that meat [illegible] panies are suffering from [illegible] shortage of stock this [illegible]. The downturn in kill affects "throughput" which is a [illegible] aspect in the success of [illegible] freezing company. Throughput allows economies of [illegible] through spreading the [illegible] cost of capital investment [illegible] a greater number of [illegible].

Net profit for the [illegible] months was "slightly [illegible]" although in the manner [illegible] meat companies no figures [illegible] disclosed in the interim report. While the company noted [illegible] improved availability [illegible] livestock assisted throughput, it expects the numbers to [illegible] off in the second six months.

But the directors are [illegible] fident about the final result [illegible] could be in line with last year's figures, but no spectacular improvements should be expected, in spite of [illegible] prices overseas. Much of [illegible] price increase is reflected [illegible] corresponding higher [illegible] paid for stock.

In the longer term the company's shares have [illegible] traction, giving New Zealand's continuing reliance [illegible] agriculture products [illegible] economic survival, and [illegible] current international shortage of cattle.

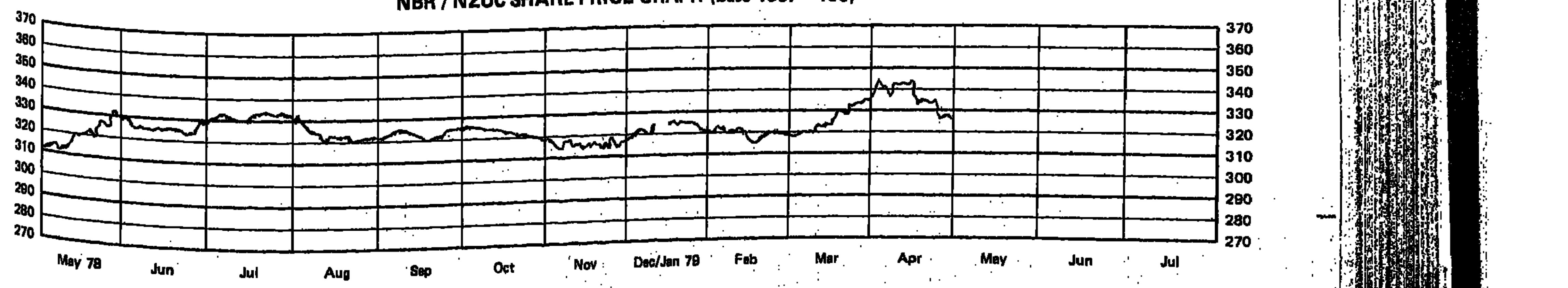
NBR SHAREMARKET SURVEY

WEEK ENDING MAY 3, 1979

1979 High	1979 Low	Company	Last Sale	Week's High	Week's Low	Dividend %	Reported Turnover	Dividend Yield	P-E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

1979 High	1979 Low	Company	Last Sale	Week's High	Week's Low	Dividend %	Reported Turnover	Dividend Yield	P-E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

NBR / NZUC SHARE PRICE GRAPH (Base 1957 = 100)



Abortion committee: an ominous precedent?

by Bob Edlin

THE Abortion Supervisory Committee has intruded on the medical profession's internal arrangements to maintain professional standards. And it has become a device for diverting from the courts, the critical responsibility for interpreting the law.

The committee was Parliament's response to a continuing and bitter controversy.

To the extent it is a creature of political expediency, its operations serve as a caution to other professions about how their activities one day may be governed in the cause of political peace.

Its chairman, Augusta Wallace, wrote to all certifying consultants on April 9, expressing concern at the lack of uniformity in the application of the legislation.

The phrase "serious danger to mental health" appeared to be interpreted "in the most liberal fashion" in some areas, she observed.

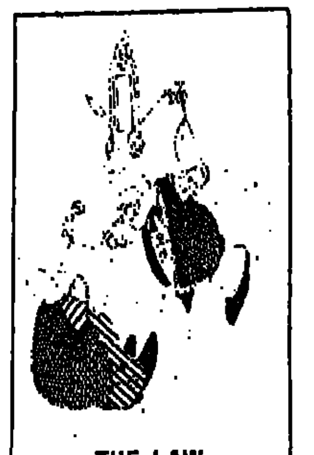
The committee wanted to emphasise that the words of the statute were "serious danger", and it argued that this could mean "nothing less than substantial risk to life or health".

The committee wanted to draw this to consultants' attention "so that proper weight may be given to words of the statute which authorise a lawful abortion."

Other doctors received letters which said they appeared to have been too liberal in their work. If they wanted to be re-appointed, letters of explanation were required by the committee by April 23.

Some of the doctors are known to have had their terms expire on April 1. Thus it became evident that letters of re-appointment had not yet been sent out to certifying consultants whose terms had expired.

Doctors from whom explanations were sought should have been approached several weeks previously for re-appointments to be completed by April 1.



THE LAW

It became evident too, that some doctors did have letters of re-appointment. But neither the public nor the medical profession was informed who had these letters, and who did not.

At least two consultants stopped seeing cases on the grounds their warrants had expired and they were awaiting re-appointment. Another was continuing to give certificates on the assumption the warrants had not expired.

But more seriously, the committee's handling of the re-appointments resulted in a spate of resignations in Wellington because the doctors were affronted at their integrity being questioned.

To the inconvenience of many women, a health service in that region provided for by statute collapsed.

So while the committee was trying to ensure the law was observed uniformly, it failed to *ensure the provision of a* uniform service.

But the situation raised an esoteric question: how can anyone tell if the situation in Wellington is liberal or conservative? The committee was acting on the assumption that where there is a high number of cases with a high approval rate, a consultant must be too liberal.

But under the law, no single doctor can be responsible for a high rate of approvals.

The Act was designed to make it difficult for any one doctor to make decisions that would result in an abortion.

Thus the GP refers what he considers to be "genuine" cases to the consultant. But the consultant does not do the abortion. That is the job of the surgeon, who must also confirm that the case is an appropriate one for an abortion.

Cases that would be rejected should be eliminated either by the individual woman changing her mind, by her GP, or by an organisation like SOS.

At the next stage, a consultant who acts promptly is more likely to attract patients from GPs than one who acts slowly. And once a GP has found a consultant's work satisfactory, the GP is likely to use that consultant consistently.

On the other hand, if "conservative" doctors are not approving cases, GPs presumably stop sending them patients.

But certifying consultants weren't the only recipients of the committee's letters

On April 5, Wallace wrote to Wellington Hospital Board superintendent-in-chief C. L. Tucker.

"*It appears that a far greater* number of terminations have been carried out in your area than had been anticipated over the 12-month period," she said.

The committee had "clear information" that women were travelling from elsewhere in New Zealand to Wellington after having been refused terminations in their own centres.

The letter reminded the superintendent that "abortion as such is of course unlawful and always has been".

But the Crimes Amendment Act set forth the criteria under which a termination might be lawful. "I am referring *particularly to cases of* pregnancy of not more than 20 weeks gestation whose termination may be lawful if it is believed by the doctors that the continuation of the pregnancy would result in serious danger (not being danger normally attendant on childbirth) to the life or to the physical or mental health of the patient," Wallace explained.

The committee sought reassurance that sufficient weight was being given to the "serious danger" aspect by doctors determining the cases in the superintendent's area.

The committee appears *unrealistic or ignorant about* how the hospital system works, and is under the impression the superintendent has some influence over the clinical decisions of senior hospital staff.

A superintendent is an administrative officer. Hospital conventions would need to be radically overhauled before he could deign to order a surgeon not to perform an operation.

The committee also seems unfamiliar with the law it is administering. The legislation expressly states that a consultant is not allowed to discuss a case with anyone. He is not allowed to ask for another opinion without the permission of his patient.

So how could the superintendent interfere in any case when he is not allowed to know the clinical details?

The consultants are expected to consider cases individually and to make their own decisions. They are the ones who individually must interpret the law. By inviting an outsider to influence the decision, Wallace goes beyond the law.

The committee's reasoning also bears examination.

Wallace says that after 12 months, more abortions are being performed in Wellington than anywhere else. That is true.

The committee also thinks it sees an uneven interpretation of the law, and says it has a statutory duty to see that the law is uniformly applied. That is also true.

But the facts made public so far do not make clear that Wellington doctors are interpreting the law incorrectly.

The extent to which Wellington figures are high *because of different* interpretations of the law is debatable. For example, to what extent is this due to an absence of adequate facilities elsewhere? Or to hold-ups in the system in other cities? Is there an absence of surgeons elsewhere? And so on.

And most important, if anyone has doubts about Wellington doctors, it is not Wallace's job to interpret the law. She is there only to administer it.

The certifying consultants are expected to interpret the law, and the statute has certain words to guide them. But what do these words *mean*?

Ultimately, that is a question for the courts of law to determine. Interpretation of the law has been the prerogative of the courts for hundreds of years.

The courts turn to precedent in their determinations and decide these issues from case to case.

In Australia and New Zealand, there is ample case law for interpreting the phrase "serious danger to mental health".

These *interpretations* presumably extend to the new law, because when it was passed both Justice Minister *Thomson and* Attorney-General Wilkinson emphasised that the essential criteria of the law had not been changed.

Thus the Crimes Act absorbed words whose meaning had been decided by case law as interpreted by Appeal Court judges in the Woolnough case.

When the police raided the Aotea abortion clinic in Auckland, they seized all the records and eventually prosecuted what they considered the most blatant cases. These were scrutinised in the Supreme Court and Woolnough was acquitted. The *Crown* appealed, but the acquittal stood.

So if Wallace wants to know if she is right about the Wellington doctors, she should use as a guide the decisions on the most shaky cases from the Aotea clinic.

Or she could turn to abortion practise in Victoria and New South Wales, which is based on case law identical word for word with the new statute in New Zealand.

If she isn't using case law as the basis of her administrative thinking, her decisions presumably are based on something more vague called "policy".

If that is so, a new type of law apparently has been created. And a dubious type of law it is, because "policy" can change from day to day depending on the political pressures of the moment.

Businessmen and professionals may have no interest in the abortion issue. They should be concerned at the precedent of law being decided in this fashion.

Today the issue is abortion. Tomorrow, it could be the tax laws, or the labour laws, or any laws, being subjected to interpretations based on ever changing "policy".

Inept power planning chokes energy system

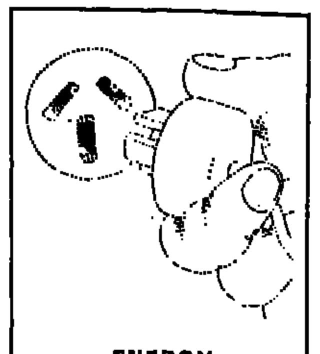
Energy Reporter

NEW ZEALAND is footing a half billion dollar bill for inept power planning in the 1960s.

It's the bill for the Maui development, which at last Christmas, stood at $390 million for the platform, and another $115 million for the submarine lines and related projects.

It would be hard to blame the mining companies for not conjuring up the gas market predicted by the power planners, who dreamt of massive thermal power stations for the future.

Indeed, it was the oilmen who produced an impressive tribute to technology and ingenuity, above one of the greatest gas and condensate fields in the world. The bureacrats have, however, created a situation where vital supplies of oil condensate will be "locked into" the Maui field with no thrifty way of getting it out at the very time we need it. The same situation applies to the availability of LPG where fleet operators and industrialists can no longer count on 400,000 tonnes each year in the immediate future.



ENERGY

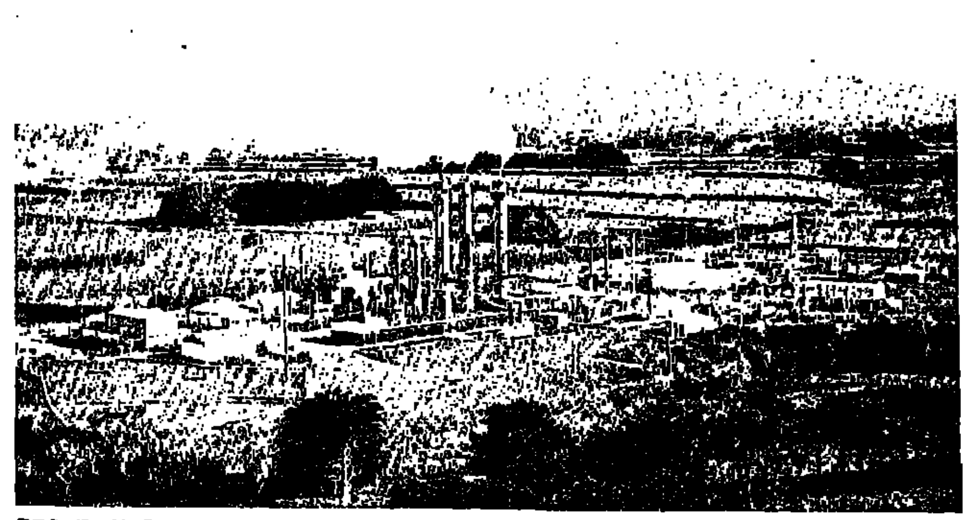
In short, the promised gas market for Maui has not materialised, and the Government is faced with the prospect of "flaring off" the gas in order to make the development pay.

Oilmen say the blame lies squarely with the power planners who, they claim, lacked the foresight to take account of any downturn in forecast electricity consumption. Even now, they say, the powermen will not listen to the critics of further electricity developments. There have been recent reports that the Treasury has moved to bring a halt to the Clutha scheme in the face of promised electricity surpluses of some 25 per cent in the mid 1980s.

New Zealand, at this moment could be poised to shrug off a large part of the OPEC price and supply crisis. Accurate forecasts would have enabled the oilmen to include a gas recycling system in the Maui A project. This would have meant the unwanted gas could have been injected back into the Maui field, and so not affect the production of sorely needed oil condensate and LPG.

In the event, the oilmen had to wait until just a few years ago to be told of lower demand expectations, and they were able to include a recycling system in the (now shelved) Maui B development.

Things are changing now . . . power planning at the expense of adequate planning for the other resources will probably not lead to another Maui. Energy Secretary Bill Duncan says power, coal and gas plans will shortly start to be tabled in Parliament to give a better appreciation of the energy mix.



PROMISED GAS MARKET ... Government faced with prospect of "flaring off" gas.

It has been an expensive lesson on how oil and water do not mix though...15 years ago, anyone who would have suggested the web being spun by the powermen would sooner or later choke the whole energy system, including the motorist, would have been made a laughing stock.

But at the very time, the mining companies were tying up the Maui deal, the powermen were sending propositions to the Government on hydro development for Cromwell. One oilman personally involved with Maui from the start, told NBR that this was "in direct conflict" with the Maui agreement.

At the end of this month everyone who is in anyone in the energy scene will watch the Maui riches go through the Oanui shore station from the platform 34 kilometres out to sea. It'll be a bit like starting a forest fire to cook an egg.

Price rise "torrents" trickle out floodgates

THE torrent of price rises supposedly stacked behind the dam of Government control has yet to flow now the flood gates are open.

The Department of Trade and Industry's head office has been notified of only three price rises since controls ended last month, though district offices are also *expected to have received several.*

Most businesses are still constrained by the six-month rule and the backlog may not break free until September or October.

After five years of strict control most manufacturers, distributors and service industries can now put prices up and down as often as they please.

A handful, around three per cent, are still obliged to notify Trade and Industry of price changes. This group covers 50 per cent by value of manufacturing output making *the Department confident* it can still monitor prices.

Category A items, where there is limited competition or Government intervention, still need approval for price rises.

Knox steps out from behind Skinner's shadow to tow FOL line

by Colin James

JIM Knox was blooded in 1951, on the waterfront. He still carries the badge and the scar of New Zealand's roughest industrial battle.

The badge is the certificate of 151 days of solidarity in the face of the Holland Government's determination to smash the troublesome Jock Barnes and the waterside union he led.

The scar was left by the painful lesson learnt: the futility of fighting the Government.

Going through '51 established unassailable credentials as a committed unionist for the man who took over the FOL presidency, last week.

Knox did not just go along with the mob in the waterfront dispute. He went to the waterfront in the first place because he wanted a part in the vanguard of the trade union movement.

During the confrontation he went on a speakers' panel, drumming up support for the cause. He was also a member of the day-to-day co-ordinating committee.

His activity put him on a blacklist, not only of the employers, but of Fintan Patrick Walsh's FOL, which did not support the watersiders. Knox had to wait till Walsh died before he could get on the FOL executive.

He has mellowed a bit. "I've learnt a lot," he says. "I'm not going to rush in and I do not lead people out on strike without going through every possible constitutional channel to try and overcome the problem."

But flashes of the impetuous young man of 1951 still show under tension.

When he is crossed or fears he is being outmanoeuvred, he can at times suddenly explode in an angry outburst. The Prime Minister had a taste of it during the Lyttelton tunnel dispute. Cabinet ministers, employers, fellow unionists have all felt the lash.

Judicious anger has its place in negotiations. In Knox it is probably more instinctive than judicious — born of conviction of the rightness of his cause or of irritation with what he feels to be destructive criticism.

Knox is an uncomplicated pursuer of simple objectives. He talks the language of the working man, of the rights and freedoms of the working class and of the need for a decent standard of living.

He is no high-flown theorist or devious tactician.

He carries out FOL conference, council and executive decisions with an almost reverential faithfulness to the spirit and the letter. As president, he will do the same, relying on the executive more than Sir Tom Skinner.

"Sir Tom plays it very close to his chest," Knox said in an interview before the conference. "I have had to remind him that he should let me know what the situation is.

"Of course, Tom works like a politician. He was a politician himself once. And I think that working like a politician hasn't hurt the FOL . . . we've been able to have a lot of success.

"I would tend to have wider communication with our affiliates, bringing them more into the decisions, making sure that the trades councils fully participate in decisions.

"Already the national council is having four meetings a year and not two.

"So I won't be acting, as Sir Tom has been accused of acting, as an individualist.

"After all, Jim Knox is not the FOL. And the executive is not the FOL. We're paid to do a job by affiliated unions and they're entitled to know more of what's going on by way of the president coming out and giving leadership to them."

Knox claims some credit for implementing conference and executive decisions to upgrade the national office (from cramped trades hall quarters to a comfortable new building), its staff (from one typist to five) and its research services (from lone dogsbody to a legal officer, an economist and an assistant researcher).

"I'm very pleased and proud to say that it's been done since I've been secretary. I was instructed by the conference to do these things and I've done them."

Some people in the movement think these services should be expanded further. Knox thinks that for the time being "we've reached a peak in backup services".

Asked if he intended to use the backup to develop FOL policies on such things as industrial relations legislation and longer-term awards and to take more of a lead in developing movement-wide policy, Knox returned to his theme of wider communication with affiliates, thus indicating that such a lead would come less from him personally than from a collective leadership.

NBR: Do you want to see the FOL take a more active part in settling disputes?

KNOX: I'm concerned about some of the disputes that we become involved in — that we get them after the dispute has been going for a long period. We have to try and do something about it. It becomes very difficult when it's been going so long. People get apathetic about the dispute.

We've just been handed the Mangere bridge dispute, for instance. Because it's been going so long, the employers and the Government on the other side, they're just taking their time. In other words, it could become a political gimmick for the Government.

The container crane is another one that's been going quite a long time. We're trying now to negotiate a contract to get the crane finished, realising that it is in the interests of the economy to get it working. But neither I nor the FOL executive will back off and allow the union to be destroyed, not to be recognised. That's one thing the contractors must recognise, that the boilermakers are still virtually intact, although they were deregistered.

The employers today, unfortunately, tend to lean on the Government for support. The Employers' Federation is leaning on the Government to bring in legislation about wage increases, about industrial disputes and the Government has shown that it is prepared to legislate to take away allowances that have been agreed to between workers and employers and to legislate on disputes, not only in the public service sector but in the private sector.

In making agreements with the unions, the employers know full well that they can go back to the Government and say, 'we had to make the agreement under pressure' and call on the Government to implement legislation. They make these agreements knowing full well they don't mean any damn thing.

The Government is worried about what they call Communistic control, not so much of the presidency but the secretary's position. I feel the next several months after the conference may be much more difficult for the trade union movement. It appears that the Government is going to rely on bringing down legislation all the time to take away certain rights of unions that they have had for many years.

The employers are the ones who must be concerned because there would be no confrontation with the Government if industrial upheaval takes place, it would be with the employers.

The economic situation of today has brought about a problem because of large numbers of unemployed, less take-home pay for those who are lucky enough to have a job, affecting family life and the right of education for the kids, and so on.

I feel that the workers are getting a bit angry and I think they will look to the Federation of Labour as a responsible organisation on their behalf to see that they are fully protected regarding the right to work for those who want to work, the right to a better standard of living, the right to have free education, the right to voice opinions in a democratic manner and the right of the trade union movement to act freely.

NBR: Do you intend to strengthen the links with the Labour Party? Do you think you will have a closer relationship than Skinner had?

KNOX: I think so. I think Sir Tom would tend to stand off a bit because he did not want any political interference in decision-making in the Federation of Labour. I don't believe that this is what the Labour Party would want to do because they know me too well, that I wouldn't tolerate it.

Yet again, I believe because of the economic situation, the political situation we are confronted with, that we must work with some political party and I feel that should be the Labour Party . . . We feel that we get a better deal, not everything we want, but at least a better deal.

(Knox also make it clear he wanted an "open-door" relationship with the present Government.)

I've raised this (the open-door communication) with the Prime Minister and the Minister of Labour recently and the Minister of Labour said, "No problem".

NBR: Do you feel that you may be at a disadvantage if you don't have the knowledge of politicians, Sir Tom had as a former politician himself.

KNOX: No, I don't think so. I had an opportunity years ago to stand for a seat and I turned that down. I think that what will stand by me in these discussions with Government is having the knowledge gained from working with Skinner.

I've got a greater understanding now of how politicians' minds work and how they look at it from the political side, knowing full well you can't divorce politics from trade unionism or trade unionism from politics. Listening to Sir Tom and being with him in negotiations with Government — and sometimes without Tom Skinner — I've been able to adjust myself to this way of thinking.

NBR: Will you be able to work with Ken Douglas if he becomes secretary?

KNOX: We've had our debates, Ken and I, across this table. He's always been prepared to carry out Federation of Labour policy.

Bill Andersen's the same. These SUP (Socialist Unity Party) leaders in the trade union movement, there's not many of them, they're always prepared to work inside the policy of the Federation of Labour.

I would work with Ken Douglas, as long as I do not have Ken Douglas — or anyone else who is secretary — who is going to introduce politics into the Federation of Labour.

(Knox described himself as "socialist". "I believe in socialism based on the Labour Party's political ideologies. I joined the Labour Party at 14 years of age." He is still a member.)

NBR: People say you're inclined to over react, that you're inclined to get a bit angry.

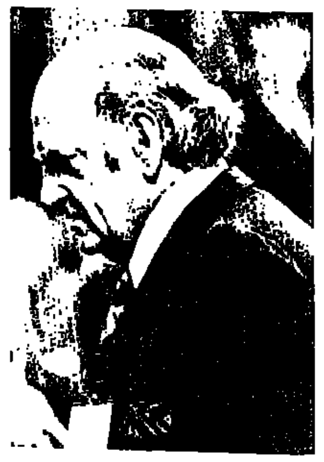
KNOX: Well, that's my makeup. I have no time for people who annoy me by way of silly things they do or silly statements they make. It's not logic, some of the things they say and the way they go about their disputes and matters affecting the trade union movement.

I don't stand fools very well. I'll always over react if the criticism is unwarranted, if it's destructive criticism. Constructive criticism, I'll accept . . .

I can get angry. I don't retreat from people. I believe that once I step backward then I'm on the run, and they can pressurise me to make decisions which I don't really believe in. No way will I allow this to happen. No way. I think they respect me for this, too . .

Jim Knox is known as a person who's honest. And this has always stood me in good stead. My father always educated me to be honest with the workers.

I am very pleased that I can go anywhere and meet workers in New Zealand — and Australia — and be recognised as a trade unionist. And that, I think, is my principle. I'm a trade unionist. I will never get away from that.



JIM KNOX . . . follows spirit and letter rulings

WILL Jim Knox be a two-term president of the Federation of Labour? Yes, if he has things his way.

"I'm 59," he told NBR. "I would hope to be in office for 10 years."

Provided, of course, as he pointed out, he gets re-elected at the end of his first five-year term.

DON'T look for radical changes in the Federation of Labour with the election of Jim Knox as president.

"When any top person takes over, whether it is in a union or in business, there are always some radical changes," he said.

"But I don't consider there's any need for any radical changes.

"The main change, I think, is to have the president domiciled in Wellington where there's more access to him than what there has been."

Pulp mill project faces 32 agency slalom course

by Rae Mazengarb

PLANS for a joint deal by a Nelson-based company for a mechanical pulp mill and integrated sawmill costing $60 million seem bound to fall foul of red tape.

Despite optimistic noises made by CSR Limited, the Australian international marketing company and its Nelson partner, H. Baigent and Sons Limited, a grand total of 32 Government and local authorities will be involved.

The smooth passage of this enterprise will be keenly watched by other New Zealand and international industrialists who are only too aware of the potential for further schemes involving exotic plantations which will have to be processed in the near future.

Businessmen appreciate the extent of influence of the hotch-potch of regulatory authorities on similar schemes which have foundered in the past (see NBR January 24).

Significant sums of overseas investment are at stake in future forestry development.

A Reserve Bank spokesman suggested that in about 10 years the number of trees in New Zealand requiring processing would be "quite alarming", in view of the present ability of local industry to undertake the processing unaided.

He suggested there could be a need for a project of the size of the proposed Nelson deal every two to three years to take account of the massive growth.

The companies so far have dealt mainly with members of the Overseas Investment Commission — which considered all proposals concerning overseas investment in New Zealand in accordance with Government policy and the Exchange Control Regulations.

The Examiner of Commercial Practices has also been involved.

When the news media questioned spokesmen for CSR and Baigents about problems with bureaucrats, they therefore were able to say they had a "good run" in these negotiations.

But the feasibility stage now reached is most critical.

Before the project goes ahead, CSR will carry out a study into the proposal. At a cost of more than $1 million — everyone with an interest will be told of the attractiveness of the project from both the companies' and a national resources point of view.

It is at this stage that the companies will have to front up to 32 local bodies, Government departments and statutory authorities.

Cook Strait jetfoil: pros and cons mount

by Bob Stott

THE Ministry of Transport is determing the merits of TNL's planned jetfoil service across Cook Strait.

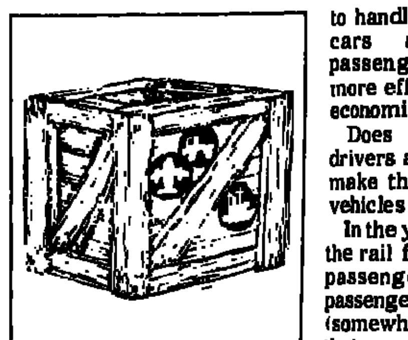
The first question — Do we need a jetfoil on the strait? — must be answered in the negative. We have a fleet of rail ferries adequately carrying passengers as well as freight, and we already have passenger air services.

Then again, there is a great deal which we have but don't need — colour television, a brewing industry, a symphony orchestra and the Values Party, for example, so the "we don't need it" argument should be treated with a little caution.

TNL's case is that a new Cook Strait ferry for passengers and freight will cost $18 million in 1981, by which time the New Zealand Railways will probably be shopping for a new ship to replace the Aramoana.

But a freight-only vessel would cost only $12 million, says TNL, which then explains that the freight-only ship would also carry private cars and their passengers. It's clear, then, that only "walk on-walk off" passengers are seen as jetfoil fodder.

Because of this lower capital cost, says TNL, the jetfoil



TRANSPORT

service would be an attractive bet.

The company aims to put a $9.9 million 260-seat jetfoil on the run in 1980 and follow it with a second craft, which by 1981 would cost about $10.9 million.

The jetfoil carries about 260 passengers, fewer than a rail ferry. The Aratika, for example, carries 800. But the jetfoil will take half as long to cross Cook Strait, starting from a terminal closer to the city centre than Wellington's rail ferry terminal. So it should be able to make twice as many trips.

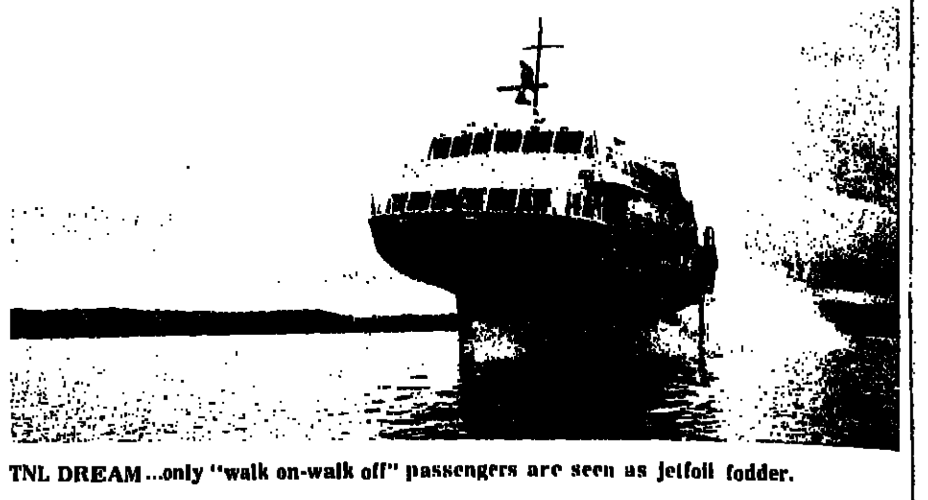
TNL says that "not having to provide passenger accommodation will give increased cargo space (on the rail ferries), leaving the ships to handle freight and private cars along with their passengers making for a more efficient all round more economical service".

Does this infer that car drivers and passengers should make the trip sitting in their vehicles parked on deck?

In the year to March 31, 1978, the rail ferries carried 724,242 passengers and 148,228 passengers' cars. (Assuming (somewhat conservatively) that each car carried two people, there were 296,456 people on the ferries who would stay with the ferries after the jetfoil service started.

The ferries made a total of 3890 single crossings, 2932 of them by passenger carrying ships, giving an average of just over 100 car-riding passengers per trip.

The rail ferries, in the jetfoil era, will have to retain substantial passenger accommodation for holidaymakers and commercial vehicle drivers. There could be some on-board space released for cargo use once the jetfoils started — maybe all passengers' cars, trade cars and some commercial vehicles could be carried on the upper deck, and with all accommodation confined to superstructure



TNL DREAM ...only "walk on-walk off" passengers are seen as jetfoil fodder.

decks.

There will be more room for cargo, says TNL, but what cargo? The present rail ferry fleet has run below capacity ever since there have been four ships on the run — apart, perhaps, for a short while during the boom period around 1974.

The 1977 New Zealand Railways annual report, for instance shows that the Aramoana and Aranui made 25 round trips a week, while the freight-only ferry Arahanga made only 12 round trips a week, as did the Aratika except when she was away being converted to carry passengers as well as freight.

In 1976 the ferries made 2008 round trips and the freight ferries were doing up to 12 trips a week depending on the demand for goods transport.

TNL claims that the combination of passengers and freight on the same vessel in the past has pushed up the freight cost structure and deterred the growth of business between the North and South Islands. Even if the freight costs were pushed up by passengers, the rail ferries were still offering a freight service cheap enough to kill off almost all surviving coastal shipping services.

The ferries' total wage bill in 1978 was $8.7 million. Income from ordinary and excursion passengers, berths and catering services was $4.9 million. Income from motor vehicles was $3.8 million and from "other goods" $19.7 million.

The jetfoil would lose its competitive edge for many as far as time is concerned if Government hadn't vetoed the Railways plan to shift its South Island ferry terminal from Picton to a point near Lake Grassmere. The time saved by jetfoil passengers heading south would be entirely absorbed by the extra time taken travelling from Picton south through Blenheim to Grassmere.

So far the Government has not prohibited the other ferry development suggested by the NZR, which is moving the Wellington terminal from its present site to one much closer to the Wellington railway station.

Air New Zealand could suffer as much as New Zealand Railways if the jetfoil proposal went ahead, especially on a Wellington-Nelson service. Here the jetfoil would be competitive with air because the time spent going to and from airports would be eliminated.

If a jetfoil is introduced there may be some revenue loss suffered by NZR and Air New Zealand, for it will not be possible to immediately tailor rail ferry and air services to fit the new era of cross-Cook Strait transport.

But, it's a free country, so why prohibit inter-island passengers from enjoying the delights of the jetfoil if someone's willing to put on such a service? Ironically, as I understand it, if TNL has its way there won't be any more choice for walk-on passengers who now can choose between rail ferry and air. With the jetfoil in service, only two alternatives will remain under the TNL plan — jetfoil and air. Only passengers travelling with cars will be able to use the rail ferries.

Finally, what business is it of the Government if a private firm is willing to risk?

Obviously the Government believes it does have an interest because it has called for a report on the subject — a view justified on the grounds that an import licence will be needed for the craft.

I think a jetfoil would be fun to ride on, but I'm dubious that TNL should be handed a slice of Cook Strait traffic on a plate — for that is what is being asked when the company suggests that the NZR should carry only passengers accompanying motor vehicles.

If such a valuable concession is up for grabs, wouldn't it be fairer to put it up for public tender?

If the Government does feel the jetfoil could be an asset, why not say to TNL "go ahead, but you'll have to compete with the rail ferries."

Foreign tour stirs urea speculation

by Belinda Gillespie

THE overseas travels of three key men in the Kapuni urea plant controversy have heightened speculation about the proposed venture's viability and desirability.

Petrocorp chief Robert Hogg has gone overseas, to an undisclosed destination.

Environment Minister Venn Young and Environment Commissioner Ian Baumgart plan to visit an ammonia plant in Wyoming, which is "effectively identical" to the New Zealand one, on their return from an OECD conference.

Despite repeated claims to have "thoroughly researched" the Kapuni project, Petrocorp has refused to release figures which might increase public confidence.

In his speech to the Hawera Rotary Club the other day, Venn Young had no hard data to back up his claims for commercial viability.

But he maintained the project would be financially viable on several counts.

The cost of the product to the user would be competitive, he claimed.

The return on the investment of $70 million was also satisfactory, added to which there would be a substantial saving of overseas funds.

Hogg has withheld comment. He was not available to make a statement for NBR's April 18 story on the plant, and declined to appear on TV1's "Dateline Monday" on April 23, on the grounds that Petrocorp was "not yet ready to make a statement."

Though unable to make an official statement, Robin Goode, group planning and policy manager of Petrocorp, said that work was being done, and that a statement would be released in due course.

He questioned NBR's figure of an estimated $60 million on an infrastructure at Kapuni — supplied by a generally reliable Government source — and said there would be "no hidden costs".

A brief description of the economic justification for the plant is given in the Minister of Works JASMAD report. It stemmed originally from a petrochemical project group set up in 1975 to report on the potential for petrochemical manufacture based on natural gas.

The group's conclusions, published in 1976, were that "development for synthesis gas based products, particularly ammonia-urea — show the greatest national benefit — a relatively small domestically oriented complex is indicated to be viable".

Engineering consultants James Chemical Engineering, of the United States, were engaged to examine a proposal put up by Capital Plant International (CPI) of London. They reported to Treasury that the proposal justified "more definitive consideration".

NBR was unable to obtain a copy of the James report from Treasury.

John Cook, assistant-secretary, confirmed that the report had played an important part in the original Treasury decision, but said he was unable to release it.

"More consideration" — the phrase from the James report quoted in the Ministry of Works "JASMAD" report — seems slim evidence on which to base a major investment of public money.

Meanwhile, numerous questions raised both in scientific and financial sectors remain unanswered.

As more doubt has been cast on the project by environmentalists, Petrocorp has modified its estimates of production.

In February, Petrocorp expected to open the new plant at 50 per cent of its production capacity, which would be as much as the domestic market could absorb. The plant, it claimed, would be able to run at this rate and still make a profit.

On the Dateline Monday programme, Venn Young agreed that the plant, which had an absolute capacity of 160,000 tonnes a year could run at a production capacity of 40,000 tonnes a year, and still make a profit.

Robin Goode, giving background to the programme, was confident that working at 25 per cent capacity it would still be profitable. Goode didn't produce figures to back up his hopes.

Young and Petrocorp are glossing over the fact that the scale of petrochemical production is a vital factor in its profitability.

BP last year held talks with the Government on the feasibility of a much bigger plant, with the value of scale to reduce unit cost.

Public relations man Alan Sutton said the company, with the help of overseas consultants, was carrying out feasibility studies of two plants, both designed for export potential. Results from the studies on an ammonia-urea plant and a methanol plant were expected toward the middle of the year.

Worldwide, there has been an investment boom in the nitrogen synthesis industry. A report from "Agra Europe" on the over-capacity of the world nitrogen fertiliser industry states: "Many of the nitrogen synthesis plants . . . would certainly not have been commissioned if reliable data over the next cyclical low (the fertiliser market is characterised by long cycles during which there is little change in supply but marked

VENN YOUNG...to visit Wyoming plant.

IAN BAUMGART... also heads off overseas.

swings in prices) . . . had been to hand. When commissioned, the productivity of these plants had been assured; but apart from bearish trends on the market, production costs have also turned out higher than projected."

A British report, The petrochemical industry, says: "A fairly large scale of operation is necessary to make such plants economically advantageous. The question of the most efficient plant size therefore occupies a central place in any question of petrochemical development."

The report points out that the cost of building a plant is not directly proportional to its capacity. Plant A, with twice the capacity of Plant B, needs an investment not twice, but 1.5 times that of Plant B.

The small size of the Kapuni plant may well be the reason why it has never been used. "Mothballed" since it was built in 1975, construction of the plant probably began at a time of inflated prices for nitrogen fertilisers, accentuated by the energy crisis in the second half of 1973.

The subsequent "cyclical low" in the market plus the competition with large plants with reduced unit costs made the small-scale American ammonia plant obsolete before it had been built.

Claims for profitability — both in terms of the cost of the product to the user and of the return on the capital investment — seem to hang on the plant being at full production by the end of its 15-year life.

Petrocorp has carried out analyses of discounted cash flows which it claims support the view that the Kapuni venture will be profitable.

Commercial interests point out that these involve assumptions about the years ahead. "Fifteen years ago, financial decision makers regarded 10 years as long term. Now three years is long term, and a five-year term is considered risky."

Investors are not prepared to bank on the world being the same in 10 years time, and ". . . projections of urea consumption are into the area of the big question mark".

The commercial community is concerned that the Government is getting into risk ventures through deals made by Petrocorp, a state enterprise where shares are held by the Government.

BP and similar companies are not expected to justify their funding, because their shareholders have a choice. New Zealanders can cash in their shares in Petrocorp only by leaving the country.

Dr John Kirby, of Victoria University Geography Department, suggests that the best way to get urea is to continue importing it, so as to get the best bargain on an internationally competitive market.

A more logical use for Kapuni gas would be to compress it and use it as a substitute for imported oil. This might meet opposition from the oil companies, who would have to sell fuel at a fixed price. But there would be no uncertainty as to the size of the market and the extent of the saving in foreign exchange — neither of which can be identified with any accuracy in the ammonia-urea venture.

The extent to which a company of somewhat ambivalent status, such as Petrocorp, should be funded out of the public purse, is causing considerable concern.

Questions have been asked about the role of the Ministry of Works which has done all the in-depth research for the Natural Gas Corporation and Petrocorp.

Optimistic economist mistrusts pessimists

Economics Correspondent

IT had to happen. Rising from the midst of the dismal scientists, a raving optimistic economist has appeared. Wayne Coffey of the New Zealand Manufacturers' Federation is convinced that New Zealand is poised on the brink of economic recovery.

The New Zealand economy has been in recession for the last four years. Until his recent speeches, Coffey, a trained economist, was as gloomy about the situation as any other financial expert. Why has his view changed?

Coffey's attack the other day on economists could have been a gimmick by a publicity-seeking lobbyist to obtain newspaper headlines. He used colourful language to criticise economists, calling them "reactionary scaremongers who talk in a deluge of worn-out cliches".

"I'm sure New Zealanders have become heartily sick of the rubbish being dished up to them by economists," he told the Hutt Rotary Club in April.

"They start by comparing New Zealand's abysmal growth performance with that of other developed countries.

WAYNE COFFEY... enamoured with textbook unreality.

They squeal about diminishing rewards to the deserving sections of the public and they then proceed to draw tenuous links between the growth performance, or lack of it, and one of their pet hates such as import licensing."

Hold on. Import licensing is a volatile issue among this country's manufacturers. Has Coffey used his attack on economists to mask the real issue?

Earlier this year, the Organisation for Economic Co-operation and Development (OECD) called for the dismantling of quantitative import controls in its annual statement on the New Zealand economy. The cry has been taken up by economists in official circles close to the Government.

Much of our domestic industry is protected from overseas competition by tariffs and quantitative import controls. But our valued exporters have to suffer the whims of overseas markets.

Exporters are at the root of New Zealand's economic problems. Because the volume of exports is not growing rapidly enough, the balance of payments deficit continues to drain economic growth.

THE ECONOMY

If quantitative import controls are lifted, domestic producers will be forced to face the reality of overseas competition. Competition from overseas will stimulate firms to find labour saving techniques and new technologies to enhance efficiency and keep prices down.

On the other hand, as domestic producers face an uncertain future with less protection, it may become less attractive for investment funds and other economic resources to flow in their direction. Less efficient firms, unable to make it in the big outside world, may be forced to go out of business.

The relative attractiveness of exporting will increase to the long run advantage of the economy. Resources, which in the past have been channeled to inefficient (but secure) domestic producers, would go to exporters instead.

It is unusual to find so much agreement among economists in all sectors of the community on any issue. The economy must be restructured, with encouragement given to efficient industry and the export sector.

Coffey argues that "many of those shrieking about the need for radical restructuring have ignored the fact that the economic structure of this country has been undergoing quite radical changes in the last few years".

The trouble, is, while there have been radical changes, the restructuring has not been happening fast enough. While exports did increase rapidly in 1977-78, the momentum has already petered out in 1979. And despite phenomenal export growth and diversification, New Zealand still has a lot of catching up to do.

In the past, New Zealand's export growth has been very poor by the standards of other developed countries. Between 1960 and 1976, growth in New Zealand's exports in volume terms was about 40 per cent, the second lowest of all developed countries and far below the average of 300 per cent.

Over the same period, Japan's export growth was a massive 990 per cent, Germany's was 662 per cent and Australia's was 215 per cent. Only the United Kingdom showed a worse performance than New Zealand with a growth of 39 per cent in real exports.

New Zealand had the lowest growth rate in the volume of gross national product (GNP) per capita of any of the developed countries from 1960 to 1976. New Zealand's growth rate per capita was 29 per cent, an average of less than 2 per cent per year. Over the same period, Japan's growth was 238 per cent, Germany's 71 per cent, Australia's 60 per cent and the United Kingdom's was 42 per cent.

Coffey thinks measures of growth do not tell us what we want to know about the economy, but miss the mark because they are related to a world of textbook unreality.

Instead of ridiculing New Zealand's growth performance compared with other developed countries, he questions the concepts applied by economists to measure economic performance.

If we don't worry about growth then we can be content with present export trends. Domestic producers can continue to chug along in their merrily inefficient way, protected by tariffs and quantitative import controls.

But if Coffey thinks this state of affairs will create some form of contentment, he must be the one enamoured with textbook unreality.

New Zealand's baby boom peaked in the early 1960s. The arrival of these boom children and a continuing rise in the proportion of women seeking paid employment means that there has been an increase in the numbers seeking employment. This growth in the labour force has not been offset by the high levels of outward migration.

Unless something is done to find jobs for these people, the level of unemployment is expected to grow beyond 50,000. It may nearly double in the next 5 years.

There are two ways of increasing the number of jobs available in the economy. One way is to add so much protection as to make New Zealand a fortress economy where only the most essential items could be imported. The other way is to stimulate economic growth.

	Total percentage growth in real exports 1960-76.	Total percentage growth in real GNP per capita 1960-76.
	%	%
Japan	990	238
Germany	662	71
Sweden	218	63
Denmark	223	68
Australia	215	60
United States	141	44
Ireland	107	68
New Zealand	40	29
United Kingdom	39	42

Source: World Development Indicators World Bank, August 1978

To stimulate economic growth, exports must rise a good deal faster than their trend over the past few years. The Planning Council estimates that in order to achieve 3 per cent growth, it will be necessary to generate growth in the volume of exports of 5 per cent per year with faster growth in non-traditional exports than traditional exports.

This seems a much more feasible alternative at this time than making New Zealand a fortress economy. With politicians calling for less Government intervention and economists arguing strongly for freeing up the market place, the climate is not ripe for the introduction of more regulations.

Coffey's optimistic view of the economy is inappropriate at this time. Every encouragement must be given to Government to make hard economic decisions.

There is, one good reason for Coffey's manufacturers to be optimistic, though. Personal consumption has grown strongly since the last quarter of 1978. The turnaround in demand has been so fast that manufacturers have been embarrassed by a lack of stocks. Shortages have taken place with some manufacturers and traders up to two months behind on delivery.

But these good conditions will not last for long. As Coffey said himself in an address to the Plastics Institute, "the economy is now entering the stage of the stock cycle whereby relatively strong rises in the purchasing of inputs and raw materials, whether of imported or domestic origin, will take place irrespective of the level of final demand. Import payments therefore will continue to rise in historically large terms throughout the remainder of calendar 1979."

Coffey predicts that the balance of payments will deteriorate from mid-1979.

And so the wheel turns. Until the level of exports increases, everytime the country achieves a certain degree of economic success, the balance of payments deficit will quickly deteriorate to bring any expansion to a halt.

This may sound like a worn out cliché, but since no remedial action has yet been taken, it is a cliché the public can expect to hear for a while longer.

Pay day squabbling

THIS letter was prompted by the wage squabbling of some of the highest paid in the land, namely, those manning the ferries. Before reading further, readers should decide what disposable income a wage "peasant", middle-aged, married and with a freehold house, needs to live at a reasonable standard — $3000, $3500, $4000 or $4500 — as it is with respect to the "peasants" that relativities must be set.

In the following calculations, the latest tax tables were used, and no allowance is made for insurance premiums or superannuation contributions; and for brevity only three cases are examined — men on wages of $6000, $12,000 and $24,000. Further, relativities have been rounded to three significant figures. (Table 1).

Quite obviously the advantages of high wages are not so great if we look at disposable income instead of at gross wages.

But if we look at income surplus to the basic requirement that you settled for in the first paragraph, the position is different again. (Table II)

I pick that most of you plumped for $4000 as adequate for the peasants (but not for yourselves). In that case the man on $24,000 has $12 to spend, over and above the cost of living at an acceptable standard, for every $1 that the man on $6000 has. In short, if we take $6000 as the basic wage, a gross wage four times as great gives a post-tax income 2.89 times as great, and a "surplus" 12 times as great.

These figures go a long way towards explaining the frequent complaints that the "workers" bear the brunt of inflation, and the rich get further ahead under inflation. Assume, for example, that the cost of living suddenly rises by 12½ per cent from $4000 to $4500. The man on a gross wage of $6000 sees his "surplus" reduced from $831 to $331 (- 60 per cent), and the man on $24,000 sees his reduced from $9967 to $9467 (-5 per cent). Comparing the new surpluses with the new price levels, the lower paid has had the purchasing power of his surplus reduced by 64 per cent, and the higher paid by 16 per cent.

On the other hand, with respect to their surpluses, the man on four times as great a wage now has $28 to spare for every $1 that the man on the low wage has, whereas previously he had only $12. Although the purchasing power of his surplus has fallen by 16 per cent, his economic superiority to the peasant, in the new scale of relativities, is 233 per cent of what it was, or 133 per cent greater than it was.

C T Reid
Papatoetoe

TABLE I

Wages	Relative Gross	Relative Post-tax
6000	100	100
12000	200	171
24000	400	289

TABLE II

Wages	"Surplus" Relativities for Adequate Living Cost of $3000	$3500	$4000	$4500
6000	100	100	100	100
12,000	287	357	511	1132
24,000	599	786	1198	2859

LETTERS

Allowance for fact interpretation

MY attention has been drawn belatedly to the Williams profile (April 11, NBR).

I understand that Mr Williams is a professional advocate and thus allowances must be made for his innovative abilities where the interpretation of "facts" is concerned. There are some blatant and glib non facts in this article which must be corrected.

Mr Williams refers to the "British system" and talks about "clear proof" that reducing the profit motive in narcotic dealing, encouraging users to register is part of an "overwhelming and compelling argument".

It is a tribute to the British that quite remarkable confusion and misunderstanding has been created about this system. So successful has the myth been that I have seen American efforts to claim the fathering of it. This is amusing. The fact is that the "British system" is a failure.

Mr Williams suggests "the decriminalisation of marijuana" as "absolutely compelling". Professional pharmacologists as opposed to professional advocates consider Delta 9 THC (the main psychoactive substance in pot) too toxic to allow any loosening of control.

Most people find it more enjoyable and much better for after dinner discussions not to have to be hampered by fact in these areas. But if anyone is interested in the actual narcotics situation in Britain or wants facts on Delta 9 THC please write to us PO Box 1612, Wellington.

Roy Johnston
National Society on Alcoholism and Drug Dependence.

Environment Commission takes blast

THE article in NBR April 18, condemning the planned ammonia-urea plant as, "a disaster on all fronts" is very misleading.

As a practical farmer I know that nitrogen is an essential plant food. So does the gardener who applies a little urea to produce good cabbages or green up his lawn. The farmer that studies United Kingdom or European farming is struck by their high production considering the climate and the big amount ... nitrogenous fertiliser applied ...

Here, because it is impractical and because of the cost, ... apply little or no nitrogen ... grassland. We put on heavy dressings of phosphate to grow clovers so as to produce nitrogen but in the winter, when it is dry, clovers grow very little and nitrogen is in short supply and grass growth is restricted.

Without nitrogen we have gone about as far as we can in increasing livestock production from our pastures. We could increase production by yarding our stock, growing crops and carting them to feedlots but this would be too costly in labour and machinery to be economic.

Given reasonably priced locally produced nitrogen we could apply it to our pastures when clovers are unable to ... nitrogen and greatly increase stock carrying capacity. It could be as big a stimulant to increased production as the introduction of superphosphate in the 1920s.

To suggest that 100 to 200 kg of urea per hectare, applied occasionally would increase the run off of "nitrate" so as to be "potentially hazardous" ... ground water is hard to credit.

Your writer suggests nitrogen fertilisers will replace phosphates but this is not likely as both are essential plant foods.

Probably the Commission for the Environment will protest as they always do at change and development. If they had operated in the last century New Zealand would undoubtedly still be covered in bush.

The only criticism of the scheme I have would be that private enterprise should have been given the opportunity to do the job.

I D Colquhoun
Feilding

Trading banks revel in competitive atmosphere

by John Draper

TRADING banks are revelling in a competitive atmosphere and urging the rest of private enterprise to take the plunge.

For the last three years the banks have been able to vie with each other and other finance houses for business offering competitive interest rates to both borrowers and depositors as well on overseas exchange transactions.

Stock agents and solicitors with money to lend have certainly felt the competitive wind.

Now the banks are eager to go further and compete on cheque account charges.

Having been overlooked in the lifting of price controls, the banks are now urging the Government to rectify the omission. In the meantime the Reserve Bank, in its role as a pricing authority, is deliberating on an application to lift charges.

Inflation has hit profits, or at least made the ratio of assets to deposits look unhealthy to bankers eyes. The answer, they say, is to increase profits.

The problem is cash. The banks do not like it. Idle money needs protection from those who would rather help themselves and it is not earning interest either. A double cost.

New Zealand society is too out of step with the credit card economies of the United States, Australia and Canada for the ... liking.

Two-thirds of us still ... on being paid in cash ... than direct credits. In the United States only one per cent of workers actually get ... a pay packet with cash ...

Cheques for 50 cents or even $5 irritate when it costs ... 40c to clear each one.

Ideally, the banks want a situation where most people's pay is credited to a bank account and the money spent with a credit card.

That way cheque ... costs, which are now ... per cent of the banks' expenses, can be reduced and profitability raised.

But more realistically, in the short-term at least, ... Reserve Bank is likely to approve an increase ... charges more in line with the user pay principle the ... have asked for.

Customers, at ... getting a free cheque ... may in future be charged ... account balance drops below a certain figure, say $100 ...

Handful of NZ exporters bother to meet 75,000 Japanese buyers

Tokyo Correspondent

THE recent Foodex Fair in Tokyo saw more than 75,000 buyers from Japan's booming hotel and restaurant industry studying and sampling the goods of potential exporters.

New Zealand, along with 11 other countries, participated with a comparatively small stand. A disappointed Trade Commissioner John Belgrave of the New Zealand Embassy in Tokyo reported that more than 200 firms had been canvassed, yet only five finally participated : Good old faithfuls like the meat industry, the Dairy Board and the Kiwifruit Board, as well as New Zealand Breweries and Leopard Breweries.

While many Japanese agents were eager, they were often unable to encourage the New Zealand manufacturers of the worth of the exhibition — a prerequisite to participation said Eric Cammell, Marketing Manager of the Auckland Farmers' Freezing Co-op.

"Most New Zealanders don't recognise the potential as far as Japan is concerned. The hotel and restaurant industry is very big and there's a need to meet and deal with the people. I can't answer why more New Zealand companies didn't participate; they all had the opportunity apparently. It's significant that the United States and other countries have seen the potential of this exhibition and New Zealand hasn't. The Americans are widely represented, they have good displays and they've recognised the tremendous scope of this. We must get in to show and sell."

For RH Trounce, Managing Director of the Stevens Group of companies, Foodex also offered great possibilities for food exporters. "There are 497,000 restaurants in Japan — that's one for every six New Zealanders. The market is greater than anywhere else and we've had a terrific response. But I think New Zealand is well represented — we have exhibitors from Auckland, Hastings, Wellington, Christchurch and Invercargill — the whole of the meat industry is represented here by the Meat Export Council. After all, Australia isn't here at all!"

While the Danes, British, Dutch, Swedes and Swiss took advantage of Japan's expanding market for exported biscuits, New Zealand's enormous and excellent range wasn't on show. Similarly the exhibition was ideally suited to frozen foods in caterers' quantities, but in this instance it was the Japanese agent who was cautious: "We recommended to Watties that they didn't participate" said Mr Sadakichi Toyoizumi, General Manager of Wattie Japan Ltd. "Watties products are already known, and we'd rather spend the money on point-of-sale promotion."

Watties have never participated, and neither had the two breweries until this year. Both of them reported that the exhibition was a necessary introduction to thousands of potential bulk buyers — the quantities of name cards and leaflets distributed during the week-long exhibition amply supports their assertion.

In the more intangible area of goodwill, the comparatively low-budget and uninspired New Zealand exhibit nevertheless held its own. The breweries were more than generous with their samples to the locals ("It's a little sweeter than ours but it's good") and every time the meat industry's specially hired Japanese chef heated the pan, the smell of frying lamb or steak was a far more effective attention-getter than the Dixieland band the Dutch had brought out from Amsterdam.

Most Japanese had no difficulty identifying (and preferring) the beef, and while generous mouthsize slabs were freely distributed, the nearby Danish stand was charging for rather ordinary hamburgers. Such visual interest more than made up for the static display of posters and pictures of the out-of-season kiwifruit.

How the New Zealand firms were approached, and how much information they were given on the value of the exercise is uncertain, but at a time when the country is lobbying for removal of trade obstacles to the Japanese market, its credibility isn't enhanced by such a poor representation of its potential food exports. If, as one official privately put it, New Zealand exporters are generally afraid to think big, then the country is certain to provide undeserving reinforcement to the common Japanese belief that disgruntled trading partners aren't taking enough initiatives.

GOOD OLD FAITHFULS . . . and cautious samplers

PAVLOVA PARADISE . . . time to indulge, in optimism and self-congratulation; satisfaction and admiration

AN up-market, glossy annual, written by professionals, and aimed at taking a positive look at some of the good things about New Zealand...

Certainly, that's a different approach in the face of prevailing media gloom. And the projects was enthusiastically received when the first feelers went out.

Getting optimists to put their money on it has been another story and advertising media buyers, particularly, have been slow to dip into their budgets.

Nevertheless the glossy annual, The New Zealander apparently has drummed up enough support to come out as planned in September.

It will be a bit like a glossy version of the Listener, with a broader base, says one of the publishers, Peter Webb.

Fellow directors in The New Zealander Magazine Publishing Co, are John Davis and Alister Taylor.

The 200 page hard cover annual has been edited by journalist Marcia Russell (Thursday magazine and TV2).

Contributors include Denis Glover, Jim Henderson, Mike Nicolaidi, Warren Mayne, Terry Bell, Sharon Crosbie and Amy Brown.

The editorial starting point is set out in the promotional dummy: "Is there time, while we duck the bullets, to seek a reflection of ourselves which reminds us there are rewarding and effective things about essential life in New Zealand"

"If there is, then The New Zealander is designed to celebrate them. This does not mean it will apply an uncritical eye. Rather it will deliberately seek to mirror the positive achievements and the admirable people of this country. And it will do so with a confidence that is reflected in the quality of the publication.

"In style and content it will make the sort of statement we should be making — not only to ourselves, but to the world. If we are so barren of spirit and impoverished of pride that we cannot see the best in ourselves from time to time, then The New Zealander really is necessary."

Despite the reluctance of media buyers to take space the publishers say they have a satisfactory level of advertising.

Full-page ads have been secured from many major companies including Fletcher Products, Ceramco, Air New Zealand, and the BNZ, says Peter Webb.

Media buyers gave various reasons for not taking space, most of them stemming from the argument that the New Zealander is an unknown quantity. Said one of them: "Sure it looks like a good publication but it's not our responsibility to make it work. We just consider these things as vehicles and we are conservative people."

John Davis was clearly disappointed about lack of support from other quarters. The publishers sent dummies of The New Zealander to Cabinet Ministers.

"Overall they were enthusiastic but the departments certainly didn't reflect this enthusiasm when it came to taking ads. We're talking to them about buying copies for promotional use."

And Davis took a dummy to New Zealand House in London.

"They had been putting some pretty amateur material and had been thinking of taking space in New Zealand promotions in the London dailies. I promoted The New Zealander to them as an ideal promotional tool. It would be the perfect publication to circulate to influential people at embassies, etc.

"They seemed enthusiastic but that was in December and I haven't heard a word since. Government seem to think they are the only ones that can do anything."

"Now that you've told ... why you want a raise — ... give myself equal time ... you why you don't get ..."

Insurance chiefs burn as competition hots up

by John Sloan

INTENSIFYING competition in the fire insurance industry is concerning industry leaders.

Commercial Union Assurance chairman, Peter Scott, commenting on an underwriting loss of $1,459,000 in his company's non-life operations last year, remarked:

"This arises from increasing competition and rate cutting in the insurance market with companies endeavouring to cover increasing costs by expanding their premium portfolio at any price.

"Irresponsible rate cutting can only lead finally to a weakening of the present strong financial position of the insurance industry.

"I cannot stress too strongly how important it is for insurance companies to achieve underwriting profitability.

"While investment profits can support a dividend for a limited period, underwriting losses reduce the company's ability to put aside sufficient reserves for future losses."

INSURANCE

The insurance industry remains unique in its lemming-like attitudes. For years the industry has had a fetish for premium growth. As long as the economy prospered and inflation galloped ahead, insurers' incomes expanded.

But when the economy stagnated, and businesses consolidated rather than expanded, many insurers were caught flat-footed. Few could mark time and consolidate; others, faced with a shrinking "insurance cake", strived to increase their market share; many reputable insurers were forced to reduce premiums to hold onto accounts; an irresponsible minority carved premiums just to get business, irrespective of the consequences.

Over the past year competition has become more brutal with many large insurers and brokers openly attacking each other's accounts.

When a major account is "shopped around", premiums inevitably are reduced — often by the very insurers who scream loudest about the evils of competition.

One insurance company director remarked that the British-based companies acted as a stabilising influence on the local market by insisting that New Zealand branches follow the strict principles dictated from overseas.

No one can blame the public for being cynical about insurers who, for years have charged a certain premium, but when faced with competition can miraculously chop the previous rate in half: "Why didn't you do it before?" demands the suspicious (and often irate) client.

Brokers are often criticised, but they are protecting the interests of their clients, and since insurers respond to competition you can't blame the broker for negotiating within the insurance market. Obtaining competitive premium quotations is an accepted business tactic, whether it is done direct by a company or a broker. And the market is very active, as most brokers are remarketing their accounts to combat competition from other brokers or insurers.

While astute clients who put their brokers and insurers through their paces (a "circus", one broker calls it) are pleased with the savings achieved, there is a damaging impact on the entire insurance system: a reduction in the premium pool.

The exposure to risks is growing, yet the premium pool to handle the risks is reducing. Facing an expanding exposure to claims and increasing administration costs with a contracting premium income thus spells disaster for some insurers.

PETER SCOTT...this is a one-way road to insolvency.

One insurance company manager said: "You cannot continually run at an underwriting loss and expect investment income to subsidise the loss: consistent underwriting losses weaken reserves. The name of the game is to make an underwriting profit — maybe not a large one, but nonetheless a profit."

In spite of the danger signals, the increased competition has one benefit for the Government — a reduction in the level of insurances placed overseas which influences the "invisibles" deficit.

But where will it all end? Will insurers faced with permanent underwriting losses shut up shop? Will only the big companies survive, thus creating monopolies? Will insurers increase premiums across the board? Will the industry read the writing on the wall and regulate itself? Will the Government appoint an Insurance Commissioner to control the industry?

While these observations have been made before, there is a new urgency in the insurers fatalistic self analysis.

As Peter Scott noted: "This is why I am particularly concerned to see the current state of the market with many companies writing business at uneconomic levels. This is a one-way road to insolvency..."

Insurance merger averts growth of anachronism

by Rae Mazengarb

THE amalgamation of New Zealand's Insurance Council and the Non-Tariff Insurance Association is a significant move toward ending what has become an anachronism in our insurance industry.

The other day the groups announced their amalgamation into a single insurance body which will be known as the Insurance Council of New Zealand Inc.

The single industry body will *represent* the interests of fire and accident underwriters in New Zealand — with the exception of the State Insurance Office.

TREVOR ROBERTS....more comprehensive than UK.

The new body is expected to be an extremely effective lobbying force on Government, as it represents 80 per cent of the insurance market.

Traditionally, the insurance industry in New Zealand has regulated itself through a series of agreements known as tariffs. Originally these operated as restrictive trade practices.

Departures from the tariffs took place with industry agreement. But the Commerce Act 1975 and competition within the industry were two factors which caused the tariff structure to break down.

But the distinction between tariff and non-tariff companies remained, with 22 tariff companies controlling some 70 per cent of the non-state market, represented by the 80 year-old Insurance Council.

The rest of the market was in the hands of 11 non-tariff companies which formed the non-tariff association 26 years ago.

Industry spokesmen expect the expanded body will be more effective with the whole industry on board.

The new development is simply a follow on of overseas trends, but Trevor Roberts, of the old Insurance Council, says New Zealand's reorganisation is more comprehensive and far reaching and has been achieved more quickly than in countries such as Australia and the United Kingdom.

The council will facilitate the provision of more effective statistical and technical services for the industry as a whole and it expects an improvement in dealing with the industry's responsibilities in the public service area.

This includes the Insurance Emergency Scheme, which enables insurance claims to be promptly dealt with in disaster situations, and the Insurance Enquiry Centre, which operates as a consumer information service.

The State Insurance Office — which holds more than 20 per cent of the insurance market — is effectively prevented from joining because of its advisory role to Government.

This could cause conflicts of interest where the industry is working as a pressure group.

Industry spokesmen suggested the need for an effective lobbying force has been borne out by practical failings of the Insurance Law Reform Act — warnings by the industry before the legislation was passed were ignored by Government.

The new council is also expected to lobby politicians over fire service funding, a big proportion of which is provided from the insurance industry.

With the introduction of the Fire Services Act 1975 contributions and levies from the insurance companies went up dramatically. Last year companies were expected to pay some $34 million of the $47 million expected total fire services budget.